

## DOCTORAL THESIS [TESIS DOCTORAL]

Title [Título]	THE RELATIONSHIP BETWEEN CSR AND FINANCIAL PERFORMANCE: THE ROLE OF SOCIAL MEDIA
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*Dedico toda la energía invertida en  
estas páginas a mis padres. Mi  
admiración y gratitud eternas por  
vuestra generosidad infinita.*

*A Almu, gracias a tu compañía y tu  
apoyo constante este vuelo aterriza  
puntual en su aeropuerto de destino.*

*A Lore, una superwoman de carne y  
hueso. Tu fuerza es la mayor  
inspiración. Si crees en los sueños,  
ellos se crearán.*

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## **Introduction**

*“Love, overflowing with small gestures of mutual care, is also civic and political, and it makes itself felt in every action that seeks to build a better world. Love for society and commitment to the common good are outstanding expressions of a charity which affects not only relationships between individuals but also “macro-relationships, social, economic and political ones.”*

*Holy Father Francis, 24<sup>th</sup> May 2015  
Encyclical Letter Laudato Si’ on Care for our Common Home*

The starting point of this thesis is an observation of the increasing impact of business activity on the environment and society, and seeking ways to reconcile both business interests and those of society as a whole. In this sense, Corporate Social Responsibility (CSR), i.e. the voluntary adoption by companies of commitments to achieve the triple benefits of economic, social and environmental sustainability, is currently the main tool within the business context to reach this goal. However, after several decades of development, CSR is far from achieving its objectives and the scepticism about these practices, often perceived as mere marketing activities, increases. Therefore, more ambitious initiatives start to emerge seeking a more sustainable economic development. Among them we highlight the *Economy for the Common Good*, a social, political and economic movement promoted by Christian Felber.<sup>1</sup> The proponents of this movement defend an alternative economic system giving priority to the cooperation and the general interest of citizens over the competitiveness and economic benefits for the companies.

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<sup>1</sup> Felber, C. (2012). *La Economía del Bien Común*. Barcelona: Deusto.



Nowadays there is a greater consensus on the need for a paradigm shift in the global economic model, as evidenced, for example, by the excerpts included in this introduction from the Encyclical Letter *Laudato Si'*<sup>2</sup> written by Pope Francis in May 2015, and the last speech on the State of the Union<sup>3</sup> delivered by the President of the United States, Barack Obama, in January 2016.

*“After years now of record corporate profits, working families won’t get more opportunity or bigger paychecks just by letting big banks or big oil or hedge funds make their own rules at everybody else’s expense. Middle-class families are not going to feel more secure because we allowed attacks on collective bargaining to go unanswered. Food Stamp recipients did not cause the financial crisis; recklessness on Wall Street did. Immigrants aren’t the principal reason wages haven’t gone up; those decisions are made in the boardrooms that all too often put quarterly earnings over long-term returns. It’s sure not the average family watching tonight that avoids paying taxes through offshore accounts.*

*The point is, I believe that in this new economy, workers and start-ups and small businesses need more of a voice, not less. The rules should work for them. And I’m not alone in this. This year I plan to lift up the many businesses who’ve figured out that doing right by their workers or their customers or their communities ends up being good for their shareholders. And I want to spread those best practices across America. That’s part of a brighter future.*

*In fact, it turns out many of our best corporate citizens are also our most creative. And this brings me to the second big question we as a country have to answer: How do we reignite that spirit of innovation to meet our biggest challenges?”*

*Barack Obama  
State of the Union, January 2016*

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<sup>2</sup> Francisco, P. (2015). Encyclical Letter *Laudato Si'* on Care for our Common Home: <[https://w2.vatican.va/content/dam/francesco/pdf/encyclicals/documents/papa-francesco\\_20150524\\_enciclica-laudato-si\\_sp.pdf](https://w2.vatican.va/content/dam/francesco/pdf/encyclicals/documents/papa-francesco_20150524_enciclica-laudato-si_sp.pdf)>, accessed January 2016.

<sup>3</sup> Obama, B. (2016). State of the Union: <<https://www.whitehouse.gov/sotu>>, accessed January 2016.

*“Environmental impact assessment should not come after the drawing up of a business proposition or the proposal of a particular policy, plan or programme. It should be part of the process from the beginning, and be carried out in a way which is interdisciplinary, transparent and free of all economic or political pressure. It should be linked to a study of working conditions and possible effects on people’s physical and mental health, on the local economy and on public safety. Economic returns can thus be forecast more realistically, taking into account potential scenarios and the eventual need for further investment to correct possible undesired effects. A consensus should always be reached between the different stakeholders, who can offer a variety of approaches, solutions and alternatives. The local population should have a special place at the table; they are concerned about their own future and that of their children, and can consider goals transcending immediate economic interest. We need to stop thinking in terms of “interventions” to save the environment in favour of policies developed and debated by all interested parties. The participation of the latter also entails being fully informed about such projects and their different risks and possibilities; this includes not just preliminary decisions but also various follow-up activities and continued monitoring. Honesty and truth are needed in scientific and political discussions; these should not be limited to the issue of whether or not a particular project is permitted by law.”*

*Holy Father Francis, 24<sup>th</sup> May 2015  
Encyclical Letter Laudato Si’ on Care for our Common Home*

CSR requires a kick start that involves, by necessity, to: (1) make it clear and credible for all social and economic actors, which implies further development of its theoretical and conceptual framework; (2) analyze it in the current context, when new technologies of information and communication are changing the way we live and do business; and (3) further study the relationship between CSR and financial performance, since the acceptance and expansion of CSR policies largely depend on this relationship. Our dissertation addresses each of these issues, and our empirical analysis focuses on the Spanish banking sector in the aftermath of the last financial crisis.

*“Saving banks at any cost, making the public pay the price, foregoing a firm commitment to reviewing and reforming the entire system, only reaffirms the absolute power of a financial system. A power which has no future and will only give rise to new crises after a slow, costly and only apparent recovery. The financial crisis of 2007-08 provided an opportunity to develop a new economy, more attentive to ethical principles, and new ways of regulating speculative financial practices and virtual wealth. But the response to the crisis did not include rethinking the outdated criteria which continue to rule the world.”*

*Holy Father Francis, 24<sup>th</sup> May 2015  
Encyclical Letter Laudato Si’ on Care for our Common Home*

We choose this sector because of its high social impact in Spain and its long and profound crisis, as evidenced by the fact that credit institutions appeared, for the first time, in June 2012 among the main concerns of citizens in the Barometer developed by the Centre for Sociological Research (CIS). However, this is not the only evidence of a potential change of mind by consumers regarding the importance of ethics in finance. The so-called ‘ethical banking,’ although still without significant weight in the Spanish banking system, has experienced an exponential growth in terms of customers, deposits and loans in recent years. According to the Observatory of Ethical and Solidarity Finance Association (FETs), between 2008 and 2012, the assets held in these entities multiplied by 4.5, soaring to almost one billion euros. In addition, the disappearance of many savings banks and their social welfare projects has left an important gap in the market that other types of banking institutions now seek to occupy. Therefore, the Spanish banking industry is facing an unprecedented scenario in which consumers seem more sensitive to ethics in finance and where CSR has become an essential tool to adapt to the new market conditions and mitigate high reputational risk.

In Chapter 1, *“The Illusion of CSR: Drawing the Line Between Core and Supplementary CSR”*, we seek to contribute to the development of theoretical and

conceptual frameworks of CSR by differentiating two types of CSR policies: those directly related to the core business, which we call Core CSR, and those disconnected from the core business, which we call Supplementary CSR. The latter usually consists of social, cultural or environmental projects that firms channel through foundations. We believe that both types of CSR policies can have different motivations and effects, and this distinction helps to explain the paradox that occurs when a company causes social harm through its main activity (Core CSR) while spending a large amount of resources for the development of philanthropic actions (Supplementary CSR). We call this contradiction the '*Illusion of CSR*' and consider it an important obstacle in understanding CSR, and thus it must be explained.

There is need for research that further develops the CSR theoretical framework to conceptually disentangle the consequences of different types of CSR actions. In recent years, the debate around CSR has focused on the relationship between social and financial performance. This literature presents inconclusive evidence (Van Beurden and Gössling, 2008; De Bakker et al., 2005), potentially because of the lack of theoretical foundation and the need of a unifying framework (see e.g. Garriga and Melé, 2004; Margolis and Walsh, 2003; Ruf et al., 2001; Ullman, 1985). Meta-analyses in the area show that Core and Supplementary CSR are indistinctly used to develop corporate social performance (CSP) measures. These discrepancies suggest the need of a more comprehensive analysis of the CSP construct which, besides being complex and multidimensional (Griffin and Mahon, 1997), incorporates different types of relationships between its components. The development of the conceptual framework of CSR may help to identify better empirical proxies for CSP. We support our theoretical approach with an instrumental case study: the paradigmatic example of Spanish savings

banks and their welfare projects, aimed at gaining insight into our proposed conceptual considerations (Stake, 1995).

*“Real relationships with others, with all the challenges they entail, now tend to be replaced by a type of internet communication which enables us to choose or eliminate relationships at whim, thus giving rise to a new type of contrived emotion which has more to do with devices and displays than with other people and with nature. Today’s media do enable us to communicate and to share our knowledge and affections. Yet at times they also shield us from direct contact with the pain, the fears and the joys of others and the complexity of their personal experiences. For this reason, we should be concerned that, alongside the exciting possibilities offered by these media, a deep and melancholic dissatisfaction with interpersonal relations, or a harmful sense of isolation, can also arise.”*

*Holy Father Francis, 24<sup>th</sup> May 2015  
Encyclical Letter Laudato Si’ on Care for our Common Home*

In Chapter 2, *“Stakeholder (Dis)Engagement in Social Media: The Case of Twitter™ and the Spanish Banking Industry”*, we study stakeholder engagement in social media communication, in particular, in Twitter. In our analysis, we build on prior research to study communication in social networks. According to legitimacy theory arguments, companies voluntarily disclose information to change the perception of their stakeholders (Cho et al., 2012; Deegan, 2012), and this information usually has a marked positive bias (Cho et al., 2010). This is consistent with an ample prior literature on disclosure (e.g., Verrecchia, 2001), which suggests that firms exercise discretionary disclosure. We expect that, similar to other communication channels, information asymmetry between insiders and outsiders permeates this channel. However, a unique feature of social networks is that outsiders often initiate the communication, engaging other stakeholders and even businesses, who may feel compelled to provide direct answers to users that would normally fall under the category of ‘uninformed,’ such as

individual customers. Stakeholder-initiated communication is a type of communication that is not well understood in the literature. It is thus of interest to provide novel evidence that may help to understand how firms manage their communication strategies in an environment in which stakeholder-initiated communication predominates.

To analyze the content of the communication, we first identify the stakeholders initiating it and differentiate between external and internal stakeholders. This distinction helps us understand stakeholder engagement. Second, we use the theoretical framework developed in Chapter 1 to distinguish between Core and Supplementary CSR. We base this separation on prior literature that identifies the relationship between CSR and core business activities as key to understand CSR practices (Jenkins, 2009; Peloza, 2006; Porter and Kramer, 2006, 2002; Burke and Logsdon, 1996).

Few media meet the requirements set in Hopwood (2009) of being channels that can be used to increase legitimacy in the wider world, and to facilitate the construction of a new and different image of the company, as well as social media. In line with this view, we expect that internal users will use social media to disseminate a ‘new and different image of the company’ through Supplementary CSR communication, whilst external users will engage in stakeholder dialogue to gain access to valuable information about the core business and about firms’ activities that are directly related to their concerns, that being Core CSR information.

*“A change in lifestyle could bring healthy pressure to bear on those who wield political, economic and social power. This is what consumer movements accomplish by boycotting certain products. They prove successful in changing the way businesses operate, forcing them to consider their environmental footprint and their patterns of production. When social pressure affects their earnings, businesses clearly have to find ways to produce differently. This shows us the great need for a sense of social responsibility on the part of consumers.”*

*Holy Father Francis, 24<sup>th</sup> May 2015  
Encyclical Letter Laudato Si’ on Care for our Common Home*

In Chapter 3, *“The Effects of Social Media Activism on Stock Markets”*, we delve into the study of the relationship between companies and external stakeholders by implementing the findings of King and Soule (2007) in the context of the Internet and social media. Based on social movement theory, these authors empirically analyzed the influence that external stakeholders can have on corporate decision-making when conducting protest actions that can affect the reputation of the company. Specifically they study the effect on investors’ behaviour using abnormal returns as indicators of their reaction, and conclude that protests have a greater impact when they involve critical stakeholder groups, such as trade unions and consumers, and when they get more media attention. Building on this research, we analyze the validity of those conclusions in the innovative environment of social media. There we find a significant presence of social activism groups who use social media as a channel for on-line activism platforms such as Change.org<sup>4</sup> to get a wider dissemination of their campaigns.

Diverse authors have studied the link between social and financial performance in the short term, trying to find a relatively immediate impact of CSR policies on stock market performance of companies that carry them out, detecting no significant effects

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<sup>4</sup> Change.org is a web platform where users can start or support a petition. The aim is to create social pressure to change things. Change.org website <<http://www.change.org/about>>, accessed December 2015.

(Fernandez-Izquierdo et al., 2009; Brammer et al., 2006; Graves and Waddock, 1994; Buchholz and Alexander, 1978). However, a vast majority of this research is based on the stakeholder theory, which, from our point of view, would justify long-term effects hardly observable for each specific CSR initiative. Therefore, we consider it to be more appropriate the theoretical framework used by King and Soule (2007), and also base this research on social movement theory to provide a more robust analysis of the effect of social media activism on stock market performance on a short-term basis.

The impact of boycotts on stock pricing has been previously studied in literature. Pruitt and Friedman (1986) empirically showed that consumer boycott negatively and significantly influence stock price. Furthermore, Pruitt et al. (1988) demonstrate that labour strikes and other union-sponsored events also cause a significant drop in stock prices, although price increases in the following weeks tend to offset that negative effect. Nevertheless, King and Soule (2007) point out that the impact on stock markets as a result of other types of protests staged by external stakeholders, remains unknown. According to the authors, social activism can be configured as an important and effective driver of institutional change for external stakeholders to influence business decisions.

Therefore, we believe it is of interest to analyze the validity of the findings reported by King and Soule (2007) in the current socio-economic context, and study the role that social media can play as a tool to channel and enhance external stakeholders' activism to influence corporate behaviour.



## **Chapter 1: “The Illusion of CSR: Drawing the line between Core and Supplementary CSR”**

### **Abstract**

This study provides a novel conceptual framework for Corporate Social Responsibility (CSR), connecting the conceptual debate around ‘Strategic CSR’ with the theoretical framework designed by Carroll’s (1991) Pyramid of CSR, and provides conceptual considerations to improve the measurement of Corporate Social Performance (CSP). The evaluation of CSP can be affected by the Illusion of CSR, which may result in invalid conclusions on the relationship with financial performance. We highlight the importance of seeking comprehensive measures that cannot be misleading because of the relationships between the components of CSR. The instrumental case study of Spanish savings banks illustrates the complexity of the concept of CSR, which includes different dimensions and relationships. This risk mainly affects those studies whose CSP measure is based on charity or philanthropic activities, since most of the time they are disconnected from core business. These activities enjoy a great visibility and in some cases, such as Spanish savings banks, they become a thick veil that can be used to hide serious deficiencies in other key aspects of CSP.

A later version of this chapter has been published in the *Sustainability, Accounting and Management Policy Journal (SAMPJ)*. The authors are most grateful for the helpful comments and suggestions from SAMPJ editors and anonymous reviewers, as well as Professor Archie B. Carroll and those from participants at the 37th EAA Annual Congress and the 5th Social and Environmental Accounting Conference (CSEAR Italy). We acknowledge financial contribution from Banco Herrero Foundation (currently Banco Sabadell Foundation), the UAM-Audidores Madrid Chair, and the AECA Chair in Accounting and Auditing.

## 1. Introduction

Despite the significant attention given to Corporate Social Responsibility (CSR, henceforth), there is still need to develop its conceptual framework (see, e.g. Langhelle, 2010; Matten and Moon, 2008; Aguilera et al., 2007; McWilliams et al., 2006). In recent years, the debate around CSR has focused on the relationship between financial performance and corporate social performance (CSP), as a way of making CSR applicable to practice (Marom, 2006). This literature presents inconclusive evidence (Van Beurden and Gössling, 2008; De Bakker et al., 2005), potentially because of the lack of theoretical foundation and the need of a unifying framework (see e.g. Garriga and Melé, 2004; Margolis and Walsh, 2003; Ruf et al., 2001; Ullman, 1985).<sup>5</sup> Therefore, there is need for research that further develops the CSR theoretical framework to conceptually disentangle the consequences of different types of CSR actions and that helps identify better empirical proxies for CSP. Accordingly, the purpose of this chapter is (1) to contribute to the development of the theoretical framework for CSR, and (2) to provide a number of conceptual considerations which can be considered in the design of measures for CSP.

Prior literature links CSR actions which are directly related to the core business with ‘Strategic CSR,’ since these actions create value both for companies and the rest of society (Porter and Kramer, 2002; Burke and Logsdon, 1996). However, the analysis of the role of CSR actions that are *disconnected* from the core business is scarce and

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<sup>5</sup> Although meta-analysis studies provide evidence of a positive relationship between social and financial performance (Orlitzky et al., 2003; Margolis et al., 2007), there is no unifying approach to the construct of CSP, leading to conflicting results and views on the consequences of CSR. This mixed evidence has been associated with the direction of causality (Waddock and Graves, 1997), the shape of the function (Barnett and Salomon, 2006; Brammer and Millington, 2008), the lag time (Russo and Fouts, 1997) or the omission of relevant variables (McWilliams and Siegel, 2001), especially mediator variables (Pivato et al., 2008; Sen and Bhattacharya, 2001) as well as moderator variables (Surroca et al., 2010; Russo and Fouts, 1997).

requires further development. In this chapter, we establish a novel conceptual reflection that analyzes the role that both types of CSR (connected and disconnected from the core business) can play in the business strategy, and the relationship between them.

In particular, we refer to all those CSR activities that are directly related to the core business as ‘Core CSR,’ whilst those activities not directly related are considered ‘Supplementary CSR.’ In our conceptual development, we link Carroll’s (1991) ‘Pyramid of CSR’ theory with the strategic *versus* non-strategic CSR debate (e.g., Burke and Logsdon, 1996). Specifically, we build on Carroll’s framework to define the aforementioned two types of CSR policies: Core and Supplementary, depending on their links with the firm main activity and their consequences both for the company and its key stakeholders. Core CSR policies are economic, legal, ethical and philanthropic actions directly associated with the core business of the firm and expected to enhance financial performance in the long term,<sup>6</sup> while Supplementary CSR are philanthropic policies not associated with the main business of the firm, and their effects are predicted to depend on their relationship with Core CSR. These later activities generally consist of philanthropic actions in the social, cultural and/or environmental areas. The term Supplementary CSR is based on the reflection that, despite the lack of connection with the main activity of the company, these actions may result in both firm and social benefits, improving the firm public perception when accompanied by appropriate Core CSR policies. However, as discussed throughout this chapter, Supplementary CSR can also be used to, deliberately or unconsciously, mask a poor social performance in the main activity of the company.

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<sup>6</sup> Michelon et al. (2013) and Alniacik et al. (2011) provide evidence consistent with CSR policies having long-term effects.

To illustrate our conceptual distinction, we focus on the paradox that takes place when a company causes social damage with its main activity, while spending a large amount of their resources in community welfare projects, disconnected from its core business. We identify this phenomenon as the ‘Illusion of CSR’ and support our theoretical approach with an instrumental case study: the paradigmatic example of Spanish savings banks and their welfare projects, aimed at gaining insight into the proposed conceptual considerations (Stake, 1995).

We contribute both to the theoretical and empirical literature in CSR. Meta-analyses in the area show that Core and Supplementary CSR (focusing on ethics and philanthropic actions) are indistinctly used to develop CSP measures (Margolis et al., 2007; Orlitzky et al., 2003; Griffin and Mahon, 1997). These discrepancies suggest the need of a more comprehensive analysis of the CSP construct which, besides being complex and multidimensional (Griffin and Mahon, 1997), includes different types of relationship between its components. Improvements in the conceptual framework of CSR should help empirical research. Prior work uses measures driven by a number of factors beyond social performance itself, such as social reputation measures (Preston and O’Bannon, 1997; McGuire et al., 1988), or proxies for communication quality, such as sustainability reporting ratings (Moneva et al., 2007). Admittedly, CSP is a complex construct and the result of multiple relationships between the company and its environment. Thus, an important part of the literature focuses on specific fields of CSR (environmental impact, philanthropy, etc.), which may be related to the core business (Clemens, 2006), or not (Brammer and Millington, 2008). These measures, whilst valid for specific components of CSR, are not comprehensive, and the studies that use multidimensional measures generally fail to take into account the relationship between the different responsibilities involved in CSR. Hence, the deficiencies in the conceptual

framework lead to inconsistent and biased CSP measures, which in turn drive the aforementioned mixed evidence documented in prior work.

These weaknesses in the framework affect also business practice, where multiple and striking paradoxes complicate the implementation of consistent CSR practices. In this regard, Hahn and Scheermesser (2006) and Owen and Swift (2001) highlight the substantial differences that are covered behind the corporate rhetoric of a high commitment to sustainability, and Milne and Gray (2013) criticise the lack of influence that the adoption of CSR processes and (change-but-no-change) rhetoric is having on business behaviour. Indeed, a certain level of scepticism often surrounds CSR, which has been contested in the literature and the financial press, since it disengages from the traditional view of the company as an entity focused on maximising profits for its owners (Friedman, 1970).

Our work contributes to the literature and the development of the conceptual framework of CSR. We argue that only Core CSR has long-term positive economic consequences by itself. We argue and illustrate that firms may use Supplementary CSR to distract interested third parties from unethical practices. Our theoretical distinction may thus be useful for empirical research in CSR, to clarify what types of CSR policies should be associated with which outcomes. Our work also has practical implications. It is important to advance in developing and unifying CSR theoretical and conceptual frameworks both for managers, who can use these frameworks to develop solid and honest CSR policies, signalling their quality to outsiders; and for society as a whole. Interested third parties, when armed with a clear concept of CSR, can identify different business practices and make informed decisions from their stakeholder status. Finally, regulatory bodies may be interested in our distinction, to further encourage Core CSR practices.

The remainder of the chapter proceeds as follows. In section 2, we briefly discuss the prior literature on the conceptual framework of CSR, focusing on the concept ‘Strategic CSR’ and Carroll’s (1991) ‘Pyramid of CSR’ theory, as a basis for our model. In section 3, we set out our CSR model. We outline the relationships that take place within our model and highlight the importance of paying attention to these links. In section 4, we describe the instrumental case study of Spanish savings banks and their welfare projects, a paradigm of the paradox analysed in our study: the Illusion of CSR. In the concluding part, we discuss the implications of our analysis both for academia and for business practice.

## **2. The conceptual framework of CSR in the literature**

The publication in 1953 of Howard R. Bowen’s book *Social Responsibilities of the Businessman* is the landmark for the development of the concept of CSR. However, it was during the 70s when it was more widely developed and associated with other terms such as ‘social performance’ or ‘business ethics.’ Almost concurrently to these developments, a debate began surrounding the different visions of the business. The concept of CSR confronted with the dominant approach that saw firms as entities aimed at maximising economic profits for their owners (e.g., Friedman, 1970). The seminal works of Steiner (1971) and Samuelson (1971) initiate this debate, questioning the social implications of business management. In later decades, the conceptual discussion diverted to a vast literature focused on the measurement of CSP to study its relationship with financial performance. Nevertheless, the lack of a strong and unified theoretical framework has led to a large number of inconclusive studies (Garriga and Melé, 2004).

The aforementioned uncertainty surrounding the economic consequences of CSR has influenced the development of the theoretical framework of CSR. Burke and

Logsdon (1996, p. 496) define ‘Strategic CSR’ as that which “*yields substantial business-related benefits to the firm, in particular by supporting core business activities and thus contributing to the firm's effectiveness in accomplishing its mission.*” This initiates a research trend in the literature that relates the positive effect of CSR with its link to the core business, whilst CSR activities that do not show this relationship are associated with a reduction in the positive impact on stakeholders and a lower potential in terms of business returns in the long-term (Du et al., 2010; Porter and Kramer, 2006). We contribute to this field by connecting the concept of ‘Strategic CSR’ and the debate around the relationship between CSP and performance with the framework set by Carroll’s (1991) *Pyramid of CSR*, which is an important reference for many relevant theoretical studies on CSR (see, e.g., Matten and Moon, 2008; Matten and Crane, 2005; Garriga and Melé, 2004; Phillips et al., 2003).

Carroll (1991) classified and ranked CSR responsibilities, and illustrated them using a four-level pyramid. Considering that profit generation is a necessary condition for businesses viability, *economic responsibilities* are set as the base of the pyramid, the main level in terms of importance. *Legal responsibilities* appear at the second level. It seems logical that strict compliance with regulatory bodies is an essential step before engaging with additional voluntary commitments. *Ethical responsibilities* constitute the third level. They include those social commitments addressed at protecting the interests of stakeholders not incorporated into the legal framework (the prior level). Carroll notes the important role of this level, since it is configured by socially desirable behaviours that later form the regulatory body. At the top of the pyramid, but considered as the lowest level in terms of importance, Carroll places *philanthropic responsibilities* and describes them as the ‘icing on the cake.’

Carroll's metaphor describes these philanthropic responsibilities perfectly: they are, indeed, the 'icing on the cake.' In this chapter, we give this metaphor a double interpretation. On the one hand, philanthropy should certainly supplement a solid CSR policy in terms of ethical behaviour. On the other hand, the icing is the most visible layer and therefore, it can be used to hide deficiencies inside the 'cake': where core ethical, legal and economic responsibilities are located. Based on Carroll's model, we propose a novel classification that subsequently allows us to lay out a reflection on the CSR mix that companies can come up with, sometimes leading to a false appearance of responsibility that we call the 'Illusion of CSR.'

In our analyses we neither disregard the importance of philanthropic activities disconnected from the core business, nor do we present every specific Core CSR activity as positive per se. We intend to highlight the differences between both categories of CSR (Core and Supplementary) activities, and propose a framework to evaluate them from an overall perspective. In a first step we recommend the assessment of Core CSR responsibilities and, depending on the detection or not of remarkable deficiencies in this area, we point out the plausible consequences of implementing Supplementary CSR programmes into CSR strategy. This conceptual consideration might not only imply a positive impact on the financial performance of companies, as explained in the following sections, but it also may improve the credibility and understanding of their CSR policies. We elaborate on this consideration in the next section in which we build on Carroll's framework to develop the concepts of Core and Supplementary CSR. Then, we formally link these concepts to Carroll's four-level pyramid, and finally, we discuss how this theoretical development can shed light on the documented confusion around CSR and the mixed evidence reported in the prior empirical literature.



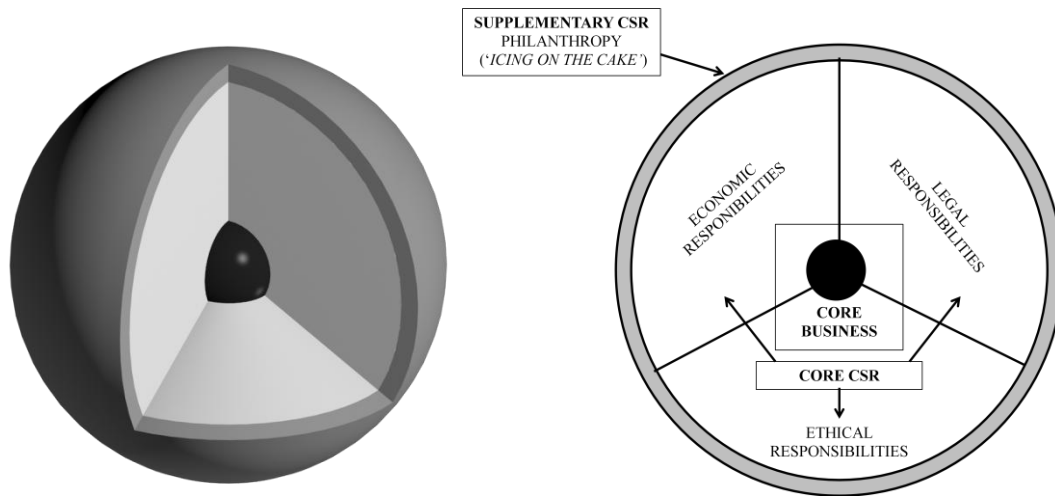
### **3. Core and Supplementary CSR**

Core CSR are CSR policies that are directly associated with the core business of the company and that have consequences both for the firm and its stakeholders. This definition significantly overlaps with the first three levels of Carroll's pyramid, with some nuances that we explain below. Core CSR includes fulfilling shareholders interests in terms of information and economic return, compliance with the legal framework and an ethical relationship with primary stakeholders to minimize the adverse impact of the business activity on them.

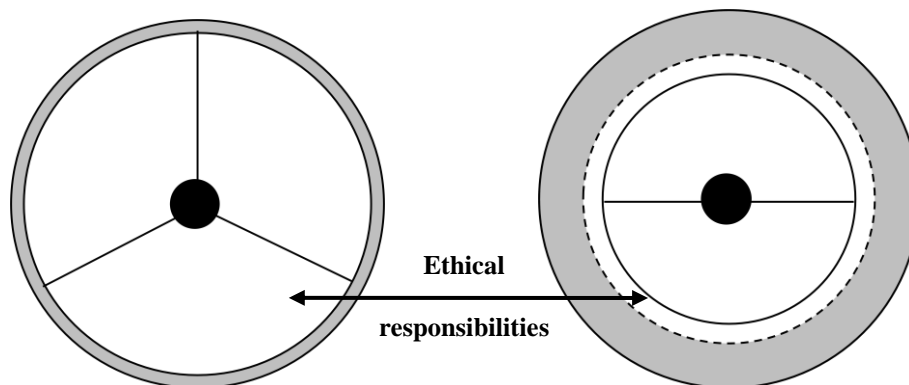
This concept is not entirely dissimilar to 'Strategic CSR' as developed by Burke and Logsdon (1996). However, we do not impose the condition that Core CSR must *'yield substantial business-related benefits to the firm, in particular by supporting core business activities,'* but rather, we argue that Core CSR are actions directly related with the firm core business that yield long-term benefits to the firm and society as a whole. This may appear as a simple rearranging of their definition, but it has important implications. Strictly interpreted, the definition of 'Strategic CSR' would incorporate, for example, myopic (short-term) actions that yield business-related benefits, such as philanthropy. They may serve to enhance the popularity and reputation of the firm with targeted segments of the population, but through actions that are unrelated to the core business of the firm and that may help to hide or distract the attention away from unethical actions within the core activity of the firm. Such philanthropic actions, whilst perhaps beneficial in some cases, are not part of Core CSR as defined in our framework.

**Figure 1.1.** Cross-sectional representation of CSR

*Panel A. CSR sphere and cross-sectional cut explanation*



*Panel B. Excellence in CSR (Type 2) Vs. The Illusion of CSR (Type 3)*



The graphical representation of our conception of CSR is a sphere (see Panel A of Figure 1.1). This representation does not allow a hierarchical classification of the three components of Core CSR - economic, legal and ethical responsibilities (Schwartz and Carroll, 2003) – since we view a responsible company as one that should always seek a balanced performance amongst them. Bearing this in mind, we locate within the ethical responsibilities level those social customs that fit better to social values at any given time. This area feeds the legal framework and is more adaptable because it is not

constrained by the rigidity of the legislative process periods. Related to the business area, we find diverse examples of mandatory rules whose origin lays in the claims of key stakeholders, for example, environmental protection regulation and labour standards that guarantee workers' rights.

Importantly, in our conception, core business-related philanthropy would be included within Core CSR as part of the ethical responsibilities, since these actions seek a positive impact on key stakeholders through the main business activity. Therefore, this component of Core CSR can mean all the difference in terms of social performance, since the fulfilment of economic and legal responsibilities is something expected of all companies and, consequently, it does not involve any outstanding social performance. Thus, ethical and philanthropic responsibilities are arguably the differential elements within firm CSR policies.

'Supplementary CSR', the external surface of our CSR sphere, consists of philanthropic responsibilities not directly related to the core business. Carroll (1979) and Maignan and Ferrell (2000), referred to them as 'discretionary responsibilities.' These policies are usually related to social, cultural and/or environmental projects that, in many cases, are channelled through foundations that belong to the same business group. Although these may be beneficial actions for society, they are not included within the ethical responsibilities because society does not perceive the absence of this kind of activities as an unethical behaviour (Carroll, 1991). However, prior research indicates that the perception of inconsistency between the welfare activity of a company and its main activity increases scepticism and negatively impacts consumer behaviour (Becker-Olsen et al., 2006). The previously mentioned nuance makes reference to the fact that we consider as Supplementary CSR only core business-unrelated philanthropy. This concept thus differs from "Strategic philanthropy," as defined by McAlister and

Ferrell (2002), and also from “context-focused philanthropy,” as defined by Porter and Kramer (2002), that aims at minimizing the negative impact on stakeholders and enhancing competitive context. These types of philanthropy are mainly (albeit not always) integrated within Core CSR in our theoretical framework.

Briefly, we provide some examples that may help to illustrate the differences. Porter and Kramer (2002) provide diverse examples of context-focused philanthropy that would be included within Core CSR in our model, among which we can highlight: *Cisco Systems* and their educational program - the Networking Academy - to train computer networks administrators and provide attractive job opportunities to high school graduates, *Apple’s* donation of computers to schools, the research and development of Web-based platforms to support new instructional practices within the Reinventing Education program by *IBM*, or *Pfizer’s* cost-effective treatment for the prevention of trachoma. In essence, philanthropic action that is directly linked to the core business of the firm is considered Core CSR. It relates to instances when firms extend their core business operations and activities to benefit the rest of society through philanthropic actions.

On the other hand, the campaign to raise money for breast cancer prevention carried out by *Avon*, the world’s largest direct seller of beauty products and fashion accessories, despite being considered context-focused philanthropy by Porter and Kramer (2002) and despite potentially benefiting society as a whole and potentially generating business-related benefits to the firm, at least in the short run, would be included in the category of Supplementary CSR in our model because it is not directly linked to the core operations of *Avon*.

### **Relationships amongst the components of Core and Supplementary CSR**

Figure 1.1 presents CSR as a sphere where the core business of the company is in the centre (the black circle at the centre). Supplementary CSR – including those philanthropic responsibilities with no relation to the core business – is the cortical surface (in grey colour) and between both we place Core CSR. Core CSR is divided into thirds in such a way that its three components – economic, legal and ethical responsibilities – are in touch with the core business with no pecking order, or hierarchy, between them. We refer to each of them in turn.

*Economic responsibilities.* As Carroll (1991) stated, the traditional view of business, as entities exclusively aimed at profit maximisation, creates strong tensions between economic and all other responsibilities. However, the achievement of economic objectives occurs in a particular context characterized by a legal framework and a set of relationships with stakeholders where companies must decide whether to implement ethical considerations. Although companies may incur financial losses (or smaller gains) because of certain ethical and/or legal compliance, failure would imply administrative sanctions and/or the deterioration of the relationship with the environment, which ultimately could compromise profitability in the long term and even the survival of the firm. In our framework, the tensions that we consider as permanent occur between economic and philanthropic responsibilities that are disconnected from the company strategy. In this case, managers should search a point of balance where Supplementary CSR causes a positive impact on consumers without being perceived as opportunistic behaviour by the company.

*Legal responsibilities.* This area represents the minimum degree of compliance of a company with social standards. The aforementioned tension between economic and legal responsibilities could exist, but only in the short term, since it would endanger the

business continuity within a solid legal framework. However, there are some cases where companies choose the repeated infraction of a certain standard because the resultant financial penalty is less than the benefit related to noncompliance. This type of behaviour, that could be sustainable in the long term depending on the flexibility of the legal framework, reveals a low degree of social responsibility. A company that does not comply with mandatory rules can hardly be expected to engage with other voluntary standards. Although this statement is established as a general principle, we recognise that companies may take advantage of the globalization of the world economy to benefit from less stringent legal frameworks, especially in relation to tax compliance and labour rights. In those cases, they may exhibit a business behaviour which is questionable from an ethical point of view, despite being in conformity with the law.

In recent decades, ethical and philanthropic responsibilities have grown until becoming the “essence of CSR” (Carroll and Shabana, 2010). Business strategy must necessarily include economic and legal responsibilities, so they cannot represent a difference between competitors in terms of social engagement. Therefore, we focus our analysis on the relationship between ethical and philanthropic responsibilities, and specifically, on the illusion that occurs when a company implements a CSR strategy disconnected from the core business and based on philanthropy. The Illusion of CSR may be the result of deliberate manipulation by managers or can arise spontaneously because of business culture. Lehrer and Segal (2013) show that business people are more reluctant to incorporate ethical considerations into their behaviour and, at the same time, exhibit a higher disposition to charity than many other occupational groups because it becomes an additional way to externalize their success. Regardless of the motivation, both result in a false appearance (a phantom or illusion) of social engagement.

*Ethical responsibilities.* We view this as a key component of CSR. Contrary to philanthropy (and, particularly, to core business-unrelated philanthropy), business ethical behaviour is expected by society and noncompliance implies reputational risk. This level gathers all the activities related to the core business and that seek a positive impact on key stakeholders going beyond the strict letter of the law. For example, in the banking sector, which is the industry analyzed in the empirical illustration of the next section, ethical responsibilities would be the implementation of a more rigorous and accessible protocol of information on financial products exceeding the minimum requirements set by the regulator, so to help non professional savers or unsophisticated investors to gain a greater knowledge of the product and the risks associated and make better informed decisions. Another initiative in this area would be to provide flexible credit terms for people who cannot meet their mortgage obligations on a first home or, if necessary, provide affordable housing solutions for evicted families to avoid situations of social exclusion. The development of a broad portfolio of Socially Responsible Investment (SRI) or facilitating financial services in remote rural areas, by either establishing more branches or other means, could also be included in this component of CSR. Core business-related philanthropy fits within this category, as it is related to the core business and it seeks a positive impact on key stakeholders, meeting our definition of Core CSR policies. An example of core-business related philanthropic activity of a financial institution would be the development of financial education programs in schools and neighbourhood associations of areas with a high population under risk of social exclusion. This is a key element in our framework: the consideration of core business-related philanthropy as part of the ethical component within Core CSR, whilst core business-unrelated philanthropy is considered as Supplementary CSR.

*Philanthropic responsibilities.* The voluntary or discretionary nature of philanthropy has led many authors not to consider it a social responsibility of business in itself (Schwartz and Carroll, 2003). However, we consider that core business-unrelated philanthropy represents an outstanding social commitment when supplementing a suitably developed Core CSR. Philanthropic activities have great media visibility (Brammer and Millington, 2006), which is mainly achieved through sponsorships and/or cause-related marketing (McAlister and Ferrell, 2002). Core business-unrelated activities are usually promoted by financial institutions through their foundations and basically consist of social, cultural and environmental projects, such as organizing art exhibitions and concerts, or the recovery of degraded nature reserves. Therefore, core business-unrelated philanthropy can be opportunistically used as tool of legitimization (Chen et al., 2008) that eclipses deficiencies in the Core CSR of the business leading to a false appearance of being a socially responsible firm (or industry). This effect is what we call the Illusion of CSR. We now turn our focus to this phenomenon.

Table 1.1 shows our CSR diagnosis procedure based on our theoretical framework. The key elements to consider are, as noted above, ethical and philanthropic responsibilities. The first assessment depends on the location of ethical responsibilities in business strategy, linked or not to the main decision-making processes. The second step of the diagnosis requires the analysis of the core business-*unrelated* philanthropic activity, i.e., of Supplementary CSR (recall that core business-*related* philanthropy is part of Core CSR). The combination of ethical and core business-unrelated philanthropy gives rise to four possible diagnosis of CSR activity, as presented in Table 1.1. If ethical considerations and primary stakeholders' interests are present within the company's strategy, the firm is in a stage of excellent (Type 2) CSP or faced with the opportunity (Type 1) to improve CSR policies through supplementary philanthropy. On the other



hand, depending on the core business-unrelated philanthropic activity level, if no ethical considerations are consistently detected in the main decision-making processes, the result would be absence of core CSR (Type 4) or, the potentially worst outcome in our diagnosis: an Illusion of CSR (Type 3).

**Table 1.1.** Types of CSR depending on the levels of core business-unrelated philanthropy and ethical engagement

	<b>High</b> Core business- <i>unrelated</i> philanthropic activity	<b>Low</b> Core business- <i>unrelated</i> philanthropic activity
<b>Ethical</b> considerations within business strategy	Type 2 <i>Excellence</i>	Type 1 <i>Opportunity</i>
<b>No ethical</b> considerations within business strategy	Type 3 <i>Illusion</i>	Type 4 <i>Absence</i>

Panel B of Figure 1.1 shows the contrast between these types of CSP. On the left, we represent the Excellence in CSR (Type 2), where ethical responsibilities are inside the business strategy and, therefore, in touch with core business. Here, Supplementary CSR is in touch with Core CSR. On the right, we present the Illusion of CSR (Type 3), where there is no place for ethical considerations within a business strategy that only considers economic and legal responsibilities. In this case, Supplementary CSR becomes a thick layer combining philanthropy and opportunistic ethical behaviour that serves to hide or at least to obfuscate the perception of firm behaviour and actions, creating an illusion of responsibility where it barely exists.

In the following section, an instrumental case study is used to gain understanding of the proposed framework.

#### **4. An instrumental case study: *Spanish Savings Banks, from Core CSR to simple illusion***

To gain insight into our conceptual framework we use the case of the Spanish savings banks and their CSR policies through their historical evolution. In particular, this instrumental case study seeks to show: (1) An extreme case (Yin, 1994) of our conceptual construct ‘Illusion of CSR.’ The savings banks simultaneously showed an exceptional expenditure in philanthropic activities whilst causing an unprecedented negative impact on Spanish society during the current financial crisis. (2) All the possible types of relationship between ethics and philanthropy proposed in our model. As shown in the subsequent sections, all types occur during the history of Spanish savings banks. Finally, we use the case to illustrate (3) the relationship between CSP and financial performance. Core CSR policies represented a key aspect in the success of savings banks’ business model. However, a disproportionate investing in Supplementary CSR<sup>7</sup> may have eclipsed, even in the eye of the management, some conflicts with primary stakeholders that, left unresolved, eventually endangered the survival of these companies.

##### **4.1. *Setting***

We have chosen the Spanish banking sector to illustrate and support our model for a number of reasons. Spain has a bank-based financial system (see, e.g., Valverde and Fernández, 2007; Beck and Levine, 2002; Demirgüç-Kunt and Maksimovic, 2002) and

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<sup>7</sup> For example, in 2007 the cultural spending of Spanish savings banks rose up to 745.7 million euros, which represents a 66% of the Culture expenditure in the Spanish Government Budget for the same year (1,128.3 million euros).

the impact of savings banks on society is easily observable. Until the financial crisis that began in 2008, the banking system was composed of savings banks, commercial banks and credit cooperatives. From its origin in 1835 until its extinction in 2012, the sector of savings banks underwent an exponential growth thanks to its business model until it became the dominant sector in the Spanish banking industry. During the stage prior to the financial crisis, these institutions had a market share close to 50% in deposits and over 55% and 40% in mortgage and business loans, respectively. They were the only financial institutions which covered 100% of the population (97% directly through branches and the remaining 3% by means of itinerant banking) and employed more than 130,000 workers.

Although it could be argued that Welfare Projects were part of the core business of savings banks in the strict sense, the Bank of Spain<sup>8</sup> left no room for doubt in this regard stating that *“the normal activity of banks, savings banks and credit cooperatives is to receive money from depositors that they are required to return, and use it to make loans and similar operations.”* Furthermore, the Law 26/2013 of December 27<sup>th</sup> of Savings Banks and Banking Foundations recognized in its preamble that originally *“savings banks were configured as socially-oriented banks aimed at savings promotion and protection, and the generalization of access to credit for disadvantaged social classes, aspects which are still of great concern,”* and adds that since the first half of the twentieth century savings banks *“were established as credit institutions in every sense of the word.”* The aim is also stated in the annual reports of the Spanish Confederation of Savings Banks (CECA, henceforth) which summarise the Saving banks’ activities aiming at promoting social equality using statements such as *“Social Work is part of a philosophy specific of the Savings Banks business model. Within this business model the*

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<sup>8</sup> Bank of Spain website: <<http://www.bde.es/clientebanca/entidades/pueden/bancos.htm>>. Accessed October 2015.

*aim is to avoid financial exclusion and promote economic development and social progress, especially for most disadvantaged groups of population with reduced social or materials resources” (CECA, 2011).*

#### **4.2. Methodology**

We use an instrumental case study approach. The value of this approach does not rely on being able to defend its typicality (Stake, 1995) but rather, it aims at facilitating the understanding of the theoretical considerations set up in the prior sections of the paper. Case study methodology is particularly suitable when the theoretical framework is being defined (Yin, 1993; 1994). Furthermore, it provides direct evidence on the impact that businesses can have on society, which is fundamental to show the benefits of CSR (Carroll and Shabana, 2010). We support the theoretical model and the evidence in the case, with a number of open-ended interviews with stakeholders in the Spanish banking industry as well as carrying out a content analysis of the reports of the CECA. Our methodological approach is developed following an inductive process (Arthur, 1994). We begin by collecting the data from the interviewees and from the reports, and then look for patterns to finally link it to our conceptualization of the types of CSR (see Table 1.1 and Figure 1.1). We use the evolution of the Spanish banking sector in terms of social responsibility activities and its effects on society to illustrate our CSR diagnosis. In this sense, the case as well as the interviews and the content analysis are used to illustrate and support our framework.

#### **4.3. Data collection**

The case study is developed through a longitudinal analysis of the Spanish savings banks welfare projects and CSR model, based on a wide range of sources of information including legislation, reports from official bodies and private entities (see Appendix 1.1). Since the majority of the public information about the social impact of Spanish

savings banks comes from the CECA, we considered necessary to carry out a limited number of in-depth interviews with representatives of the key stakeholders in the banking industry. The details of the four interviews conducted are included in Appendix 1.2 and include managerial members of: an association of banking services users which represents the clients, the banking wings of two trade unions representing the employees and a NGO involved on economics, finance, CSR and sustainability and which represents society at large. Consistent with prior work, the interviews provided the context and guidelines to search data rarely available in financial and non-financial reports released by firms offering a more complete picture of what happened (Boyce and Neale, 2006) in terms of social impact and CSR policies during the savings banks' last years of activity. Overall, these interviews helped us to gain understanding of the real impact of Spanish savings banks on society in the last years and helped to identify other relevant sources of evidence (Yin, 1993).

Prior work by Cho et al. (2012) provides evidence of systematic manipulation in standalone sustainability reporting to paint a more favourable picture of the firm. To illustrate this bias in the Spanish savings banks sector, we analyse the information content of the CECA annual reports for the period 2007-2011 comprising our historical analysis.<sup>9</sup> The content of the reports focuses on four social areas: (a) Culture and heritage, (b) Social works and health, (c) Education and research and (d) Environment. Following this structure, we search for keywords related to each one of the areas. In particular, using inductive reasoning, we look for the most common keywords associated with these welfare projects developed by savings banks and that represent Supplementary CSR or Core CSR included in the CECA reports. The output of this coding is presented in Table 1.2 where we show the keywords related to each of the

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<sup>9</sup> These reports are available at <<http://www.ceca.es/publicaciones/>>, checked October 2015.

social areas and the number of repetitions between brackets by each one of the stakeholders (employees, companies, individuals and society). The conclusion is that Supplementary CSR keywords - which are associated with positive information about social, cultural and environmental projects - are emphasised, while Core CSR keywords, in this case related to controversial events that had a deep impact on Spanish society, are minimized or even disregarded. The key figures of the complete picture are summarized in Table 1.4 which we explain in the context of the case study presented in detail in the next section of the paper.

**Table 1.2.** Spanish savings banks' CSR: Keywords repetition within CECA annual reports (2007-2011)

Supplementary CSR	Core CSR			
	Clients		Employees	Society
	Individuals	Companies		
Welfare Projects: a. Culture & Heritage: <i>concert</i> (44), <i>sports</i> (41), <i>museum</i> (68) b. Social works & Health: <i>hospital</i> (59), <i>nursing</i> <i>home</i> (55) c. Education & Research: <i>school</i> (14), <i>university</i> (41) d. Environment: <i>nature</i> (25)	<i>preferred stocks</i> (0), <i>subordinated</i> <i>debt</i> (0), <i>claims</i> (0)  <i>eviction</i> (1), <i>foreclosures</i> (0)  <i>financial</i> <i>exclusion</i> (8), <i>microcredits</i> (19)	<i>credit</i> (13), <i>SMEs</i> (8)	<i>employees</i> (25), <i>redundancy</i> (0)	<i>bail out</i> (0)  <i>bonus</i> (0), <i>remuneration</i> (0), <i>political parties</i> (0), <i>scandal</i> (0)

#### 4.4. Findings

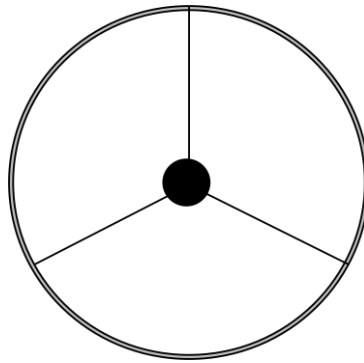
*The origin of Spanish savings banks (1835-1933): A century of CSR Type 1.* Savings banks emerged in Spain in the mid-nineteenth century as an extension of socially-oriented pawnbrokers called '*Montes de Piedad*.' Their purpose was to improve the

living conditions of poorer urban classes through affordable credit and the promotion of savings. These people were out of the ordinary financial circuits, and so savings banks protected them from usury networks. The contribution of savings banks to Spanish economic growth and social welfare is evidenced by the correlation between the growth of key macroeconomic variables and the amount of savings deposited in them (Martinez Soto, 2000).

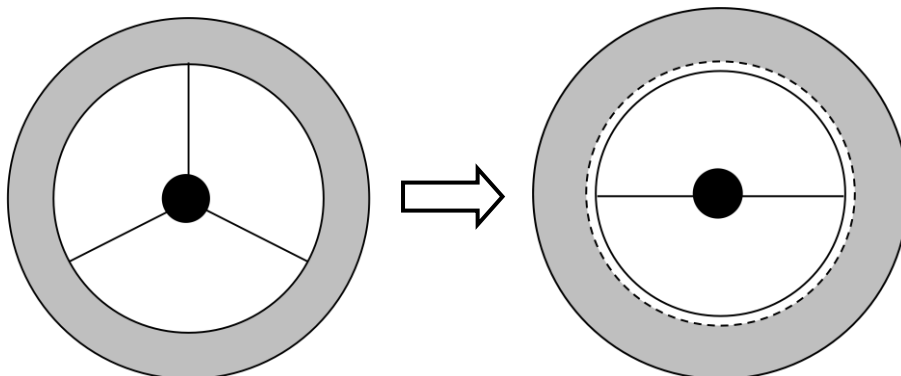
Panel A of Figure 1.2 shows the CSR scheme in this stage which matches our definition of CSR Type 1, where ethical responsibilities are totally integrated into savings banks core business and there are no other unrelated philanthropic activities.

**Figure 1.2.** Historical evolution of CSR in Spanish savings banks

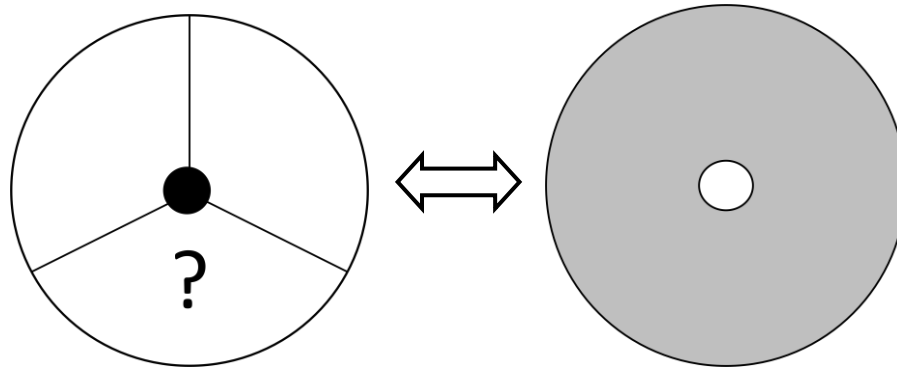
*Panel A. The origin of Spanish savings banks (1835-1933). A century of CSR Type 1*



*Panel B. Welfare Projects consolidation (1977-2007). From CSR Type 2 to CSR Type 3*



*Panel C. The end of Spanish savings banks (2007-2012). CSR Type 3 and a mandatory catharsis*



*Welfare Projects start (1933-1977): A digression into the history and CSR Type 2 precursor.* This period spans two key regulations related to the social performance of savings banks. In 1933, the Law on Savings Banks makes the first direct reference to welfare projects, mentioning them among the savings banks duties. In 1977, the Royal Decree 2290/1977 created the Savings Banks Welfare Projects Committee and established a clear separation between the social and financial areas in these entities. At this stage, savings banks sought social performance visibility by developing social charity programmes that complemented public administrations labour in many fields. Between 1947<sup>10</sup> and 1977 the expenditure of Spanish savings banks grows from 13.5 to 439.6 million euros (in constant 2011 values).

This period presents important limitations for the analysis because, due to Spanish political situation,<sup>11</sup> savings banks did not enjoy autonomy in many fields and, particularly, in the management of their welfare projects. At the end of this period,

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<sup>10</sup> First year with available data about spending in the Welfare Projects of Spanish savings banks.

<sup>11</sup> From 1939 to 1975, Spain had an authoritarian dictatorship regime. Following the Spanish Civil War (1936-1939), Spain underwent a period of near autarky and recession, followed by economic growth from 1959 to the early seventies, when the oil crisis and world-wide economic stagnation ended the boom.



Spanish saving banks recover their autonomy and make efforts to give visibility to their beneficial actions through a significant investment in advertising.

Given this lack of autonomy in decision-making, we do not include this period in our graph model to analyse the evolution of CSR. However, it lays out the foundation for the later stage, which will be critical in the evolution of the Spanish savings banks.

*Welfare Projects consolidation (1977-2007): From CSR Type 2 to CSR Type 3.* In this stage, the expenditure in welfare projects experienced a second growth reaching 1,966.6 million euros in 2007 (constant 2011 values). Concurrently, the Royal Decree 2290/1977 brought about important changes. As mentioned above, this regulation separated the social and financial responsibilities of saving banks. Social performance was controlled by a specific committee, while the board of directors focused on financial management. The funding of welfare projects was also made conditional on certain financial ratios thresholds, yet another sign that welfare projects were becoming non-essential or supplementary activities.

In the distribution of expenditure, there is a gradual predominance of cultural activities. During the late seventies, they represented only 20% of the economic resources, however from the nineties onwards between 40% and 60% of spending goes to cultural activities and heritage preservation. This growth came at the cost of reducing the funding dedicated to social works and health. Several authors suggest that cultural projects represented less commitment for savings banks given the initial low investment and the minimum obligation to maintain current expenditures (Valverde and Fernández, 1998; Núñez, 1998). In 2007, cultural spending represented 40% of the total expenditure in welfare projects, while these projects reached more than 60% of beneficiaries. Thus, savings banks could be maximising the number of impacts with less

expense and less commitment. Visibility is furthermore enhanced by a significant spending in advertising. CECA Assembly in 1999 emphasised the importance of welfare projects promotion as a key strategic action (Comín, 2008). Savings banks highlighted the contrast between their ‘social dividend’ and the ‘private dividend’ of commercial banks. However, they also admitted that precautions in advertising should be taken to avoid that welfare projects were perceived by society as a ‘business platform.’

Regarding Core CSR, savings banks were originally conceived to fight against financial exclusion of disadvantaged groups. However, in this period this activity was already irrelevant. According to the 2007 CECA annual report, savings banks granted 24.18 million euros in microcredits and the credit associated with the twenty-one remaining ‘*Montes de Piedad*’ came to 171.38 million euros in the consolidated balance sheet. We only have to put these figures in relation to the total amount of ‘loans to customers’ registered in their assets: 854,095 million euros, to show that the original aim of Spanish savings banks had indeed disappeared from their strategy.

Panel B of Figure 1.2 illustrates the change in savings banks CSR strategy. Ethical responsibilities were diluted and disconnected from the main activity while Supplementary CSR grew to form a thick crust around Core CSR leading to the Illusion of CSR. The high expenditure in welfare projects, which was the main distinctive feature in relation to the other financial institutions (Valverde and Fernández, 1998), provided solid reputation to this sector, which contributed to the success of their business model. According to the Statistical Bulletin of the Bank of Spain, in late 2007 savings banks had 50.4% of all deposits in Spanish credit institutions, 55% of all banking offices operating in Spain, and 48.5% of the total employees in the Spanish banking industry.

*The end of Spanish savings banks (2007-2012): CSR Type 3 and a mandatory catharsis.*

The international financial crisis dramatically affected Spain and its banking industry. The high exposure of Spanish credit institutions to real estate led to a severe tightening in the credit conditions in capital markets. In the case of savings banks, these circumstances served to reveal a business model characterised by a complete lack of ethical responsibility, which eventually resulted in the disappearance of the whole industry. Spanish savings banks were compelled to convert into banking foundations that hold a significant stake in commercial banks created to segregate their financial activity. Therefore, the government ordered, by law,<sup>12</sup> the suppression of the thick layer of Supplementary CSR that was surrounding Core CSR. This demonstrates that the described disconnection between financial and social activities of savings banks was identified as a key problem for the industry.

Panel C of Figure 1.2 illustrates the new stage of former savings banks, now turned into banking foundations. Resultant entities will need to redefine the location of ethical responsibilities within their decision-making processes.

The case of the Spanish savings banks show the consequences of an extreme case of Illusion of CSR that took place during their last period of activity, when an immense amount of economic resources was earmarked for philanthropic activities, whilst they were causing evident damage to their primary stakeholders (clients –both individuals and companies–, employees and the Spanish society as a whole). This situation is next explained in detail by separately analysing the effects over the different categories of stakeholders.

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<sup>12</sup> Royal Decree-law 11/2010, on the governing bodies and other legal aspects of savings banks, and Law 26/2013, on savings banks and banking foundations.

## **Clients**

This is the segment where savings banks had a major social impact and, therefore, where their reputational risk was mainly concentrated. Our analysis differentiates between individuals and companies, which is the first classification that banking industry uses for their clientele. There was a clearly negative impact on individual clients:

- a) On the liabilities side of the balance sheet, questionable banking practices were detected in the placement of highly complex investment products, such as preferred stocks and subordinated debt, to retail savers with a conservative savings profile. According to a Spanish Securities Exchange Commission (CNMV) report elaborated in 2011,<sup>13</sup> the worst practices in such operations, in terms of lack of transparency, were associated with several major savings banks which fostered transactions between retail savers for a price well above the fair value of these instruments.
- b) On the assets side, the main issue is associated with the mortgage credit management. During the financial crisis the Spanish unemployment rate rose up to 26% and this led to a considerable part of the population defaulting on their mortgage credit obligations. According to the Platform for People Affected by Mortgages (PAH),<sup>14</sup> during the period 2007-2012 nearly 400,000 foreclosing processes were initiated, in many cases associated with the eviction of families from their homes. This circumstance aggravates the mortgagors at risk of social exclusion situation and has resulted in a state of social alarm. The lack of social responsibility shown by Spanish credit institutions towards this social drama led

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<sup>13</sup> Report on the Review of Transactions Married Between Clients of Hybrid Products. Supervision Department ESI-ECA (CNMV), September 26<sup>th</sup>, 2011.

<sup>14</sup> 2007-2012: Retrospective on Evictions and Foreclosures in Spain, Official Statistics and Indicators. Ada Colau & Adrià Alemany. Platform of People Affected by Mortgages (PAH).

Spanish government to launch several good banking practice initiatives<sup>15</sup> to protect mortgagors, with little success in practice.

- c) The third problem is related to financial exclusion, the original *raison d'être* of Spanish savings banks. According to the report '*The banking offices and the ongoing restructuring process*' published in 2012 by the consulting firm A.T. Kearney, the restructuring of savings banks focused on offices and hardly affected their headquarters. Offices closing mainly affected rural areas, thus hindering access to financial services to thousands of Spanish villages' residents. The report also notes that online banking expansion is still slow in Spain, where 80% of the retail banking operations is still performed in offices. That figure will presumably increase in rural areas, where the penetration of new technologies is far below than in large cities.

Regarding corporate banking, the financial crisis shows that the economic and social health of a country is threatened when the banking industry does not meet the credit needs of the market. Therefore, a basic indicator of CSP for credit institutions relies in this issue (Simpson and Kohers, 2002). Although the credit crunch has seriously affected all Spanish companies, we will focus on small and medium enterprises (SMEs), since they represent 99% of Spanish businesses and have a great dependence on bank lending. Recent studies by the European Central Bank (ECB)<sup>16</sup> and BBVA Research,<sup>17</sup> showed that Spanish SMEs find greater difficulties in accessing

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<sup>15</sup> Among the different initiatives we can highlight the Code of Good Practice approved by the Spanish government, which includes the Royal Decree-Law 6/2012 on urgent measures to protect mortgage borrowers, as published in the Official State Bulletin on March 10, 2012. These norms provide for the voluntary adhesion of financial institutions to the Code with the goal of easing the economic and social circumstances of families below the poverty line.

<sup>16</sup> Survey on the Access to Finance of Small and Medium-Sized Enterprises in the Euro Area. European Central Bank – Eurosystem. February 2010 - November 2012.

<sup>17</sup> Financing of SMEs in Spain. Santiago Fernández de Lis. BBVA Head of Financial Systems and Regulation. February 2012.

bank financing than their counterparts in the Eurozone, and also than large Spanish corporations. The tightening of financial conditions that Spanish banks impose on SMEs damages their competitiveness and can put their survival at risk. This situation contrasts with the massive injections of liquidity of ECB in the Spanish banking industry, whose net loans owed to ECB reached 375,000 million euros in the summer of 2012. A figure that represented nearly 80% of the total ECB funding to the Eurozone banking industry, a record since these series have been published.

### **Employees**

Employees are a key stakeholder for any business and especially in industries that are intensive in human capital, such as the banking industry. At a time of deep economic crisis, with a high unemployment rate, the main concern of workers is keeping their job. The leader employment website *InfoJobs* published a study on job prospects in the Spanish banking industry in August 2012. It revealed that on average 58% of respondents feared for their employment status, and this figure rose to 73.8% in the case of savings banks employees.

According to the Statistical Bulletin of the Bank of Spain, the number of savings banks employees increased almost by 50% in the decade prior to the financial crisis to reach 135,000 employees. Throughout the financial crisis, this industry destroyed 15% of its employment. Although Bank of Spain statistics do not provide disaggregated data for the different types of entities since 2010, most of the Redundancy Dismissal Procedures in the Spanish banking industry are linked to savings banks.

### **Society**

Society is a broad and heterogeneous concept, what makes it risky to be considered a stakeholder as a whole. Notwithstanding this limitation, this is not the case of Spanish savings banks, whose impact on Spanish society is easily observable. According to a

press release issued by the Bank of Spain in September 2013, State aid for banks recapitalization reached 61,000 million euros since 2009 considering only direct aids to entities, and 96,000 million euros if we add contingent guarantees. At a time of severe budgetary constraints, this State aid for banks was at the expense of other State budget items covering important social needs, such as health, education and social welfare services.

Moreover, Spanish savings banks executives were associated with numerous scandals that revealed a considerable lack of ethical and legal responsibilities in the corporate governance of these entities. Disproportionate retributions, retirement pensions and dismissal compensations for executives (even in the cases of savings banks that needed State aid); manipulation of financial information (Bankia auditors found a 3,500 million euros funding gap in their balance sheet); and conspicuously politicized governing bodies, amongst other issues,<sup>18</sup> led Spanish society to indignation. In June 2012, Spanish banking institutions appeared amongst the main concerns of Spaniards, according to the barometer of the Spanish Centre for Sociological Research (CIS).

### **The contrast with philanthropic activity (Welfare Projects)**

While the above circumstances occurred, representing a serious damage to the savings banks stakeholders, these institutions were spending billions of euros in welfare projects that had nothing to do with their financial activity. Between 2007 and 2011 (the last year in which CECA published information), Spanish savings banks earmarked 8,246.4 million euros for Welfare Projects, distributed as shown in Table 1.3.

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<sup>18</sup> Tremlett, G. (2012), "Spain's savings banks' culture of greed, cronyism and political meddling", *The Guardian* (E-edition), 8 June, <<http://www.theguardian.com/world/2012/jun/08/spain-savings-banks-corruption>>. Accessed October 2015.

**Table 1.3.** Expenditure in Welfare Projects in the period 2007-2011 by areas (million euros)

Year	Culture & Heritage	Social works & Health	Education & Research	Environment
2007	745.7	680.9	297.4	100.3
2008	838.4	781.4	326.8	112.3
2009	653.0	725.7	307.2	90.0
2010	492.5	666.8	234.7	68.4
2011	386.7	489.3	189.5	59.4
<b>Total</b>	3,116.3	3,344.1	1,355.6	430.4
<b>Average</b>	38%	41%	16%	5%

Table 1.3 shows Cultural & Heritage expenditure, representing 38% of the Welfare Projects, decreases more quickly than the other items since in 2008 savings banks were compelled to increase their solvency ratio. This fact reinforces the aforementioned hypothesis about the low commitment of this type of expense for savings banks.

**Table 1.4.** Core and Supplementary CSR of Spanish savings banks: key figures 2007-2011

Supplementary CSR	Core CSR			
	Clients		Employees	Society
	Individuals	Companies		
Welfare Projects (Total): € 8,246.4M a. Culture & Heritage: € 3,116.3M b. Social works & Health: € 3,344.1M c. Education & Research: € 1,355.6M d. Environment: € 312,6M	€ 29,250M in preferred stocks and subordinated debt (*) 400,000 foreclosures 60,000 more people under risk of financial exclusion amongst rural population	(*) Credit restriction. 250,000 (25%) million euros fall in credit facilities to productive activities	Employment destruction: 20,000 fewer employees	Direct bailout: € 61,000M; Contingent bailout: € 35,000M (**) Millions in bonuses and retirement pension for negligent directors, politicized management, fraud, accounting scandals, etc.

(\*) Figures related to the whole banking industry. Savings banks had dominant market shares; (\*\*) Difficult to quantify.



Table 1.4 summarizes the evidence on our construct Illusion of CSR of Spanish savings banks through the quantification of the main figures around Core and Supplementary CSR between 2007 and 2011. The assessment of ethical responsibilities shows a remarkable negative impact of their financial activity on all their primary stakeholders, while they spent more than 8 billion euros in core business-unrelated philanthropic activities.

Bearing in mind that the financial performance of savings banks during this last stage was so poor that the whole sector had to be restructured, if the relationship between CSP and financial performance had been analysed using measures of CSP based on Supplementary CSR, the conclusion would have been that the relationship between these two variables is clearly negative. However, the use of proxies based on Core CSR would have driven to conclude that the relationship is positive. This apparent contradiction is one of the points that we try to clarify through our discussion about the Illusion of CSR.

## **5. Discussion and conclusions**

This study develops the theoretical framework of CSR and provides conceptual considerations to improve the measurement of CSP. The instrumental case study of Spanish savings banks illustrates the complexity of the concept of CSR, which includes different dimensions and relationships. We focus on the relationship between ethical and philanthropic responsibilities, and especially we highlight the paradox that may result when these responsibilities grow disconnected from the core business of the firm, leading to a false appearance of social responsibility. This paradox is what we call the Illusion of CSR, which obfuscates the concept of CSR potentially having a negative impact on both academic research and business practice. Our reflection connects the

conceptual debate around ‘Strategic CSR’ with the theoretical framework designed by Carroll’s (1991) *Pyramid of CSR* and emphasises the importance of a meticulous examination of the CSP construct before studying its relationship with financial performance. This prior step requires a careful assessment of ethical responsibilities, this is, the impact of core business on key stakeholders. This way, we propose that if ethical considerations are detected to be present in the main decision-making processes, they will have a positive impact on the business environment. On the contrary, the lack of ethics in decision-making processes, or the opportunistic use of it, will lead to a negative impact. CSR diagnosis is then completed with the analysis of philanthropic responsibilities, which can supplement and propel social performance related to the core business or mask the lack of ethics through the Illusion of CSR.

This study has implications for the literature on the conceptual and theoretical framework of CSR and the research on the link between CSP and financial performance. We highlight the importance of seeking comprehensive measures that cannot be misleading because of the relationships between the components of CSR. Otherwise, CSP evaluation can be affected by the Illusion of CSR, which may result in invalid conclusions on the aforementioned relationship. This risk mainly affects those studies whose CSP measure is based on charity or philanthropic activities, since most of the times they are disconnected from core business. These activities enjoy a great visibility and in some cases, such as Spanish savings banks, they become a thick screen than can be used to hide serious deficiencies in other key aspects of CSP.

We find two implications for management. First, we identify and explain a misleading type of CSR which can be deliberately or unconsciously implemented by companies. This type of CSR may result in a potential damage for the business, since it eclipses, even for the managers themselves, some conflicts with primary stakeholders

that can endanger the survival of the company, as we have seen through the case of Spanish savings banks. Second, we provide managers with a diagnostic tool that will allow them to determine whether their CSR policies are affected by the Illusion of CSR. Also, the explanation of this paradox makes the understanding of CSR easier, so stakeholders can make informed decisions. This should reduce the scepticism that sometimes surrounds the field of CSR (Garriga and Melé, 2004; Lim and Tsutsui, 2012).

The study is not without limitations. First, the empirical example is used to illustrate the application of the theory, and not to provide a comprehensive case study of Spanish savings banks. Second, because the emphasis is on the theoretical development, we caution the reader that the interpretations drawn from the interviews and the archival materials are based on specific sources of data available. Understanding fully the causes and consequences of the demise of the Spanish saving banks is an issue of significant interest that may be tackled from other theoretical perspectives. Indeed, we believe that the application of other theoretical approaches to the examination of Spanish savings banks could bring important additional insights into our collective understanding of such a complex, large-scale set of events.

Future research in this area could focus on the analysis of the financial impact of Core CSR-based policies versus Supplementary CSR-based policies, as well as the study of the perceptions that key stakeholders have of both types of CSR. The diffusion of CSR requires eliminating paradoxes that lead to a high degree of scepticism (Porter and Kramer, 2002; Owen and Swift, 2001). Our identification and analysis of the Illusion of CSR helps to move the scepticism from CSR in general to the specific practice of those companies which CSR policies lack consistency indicating potentially opportunistic behaviour. In a society with unprecedented and powerful communication

tools, such as social media, we aim to contribute to creating a clear CSR theoretical framework that increases CSR knowledge and enhances its demand. Social content information is widely spread on the Internet and social media allow an utterly participatory communication with a great impact on businesses (Kaplan and Haenlein, 2010).

## **Chapter 2: “Stakeholder (Dis)Engagement in Social Media: The Case of Twitter™ and the Spanish Banking Industry”**

### **Abstract**

We study how companies and stakeholders engage in social media communication to discuss Corporate Social Responsibility (CSR). We analyze the content of over a million microblogs on Twitter associated with the Spanish banking sector. We focus on key issues considered by banking institutions in their CSR reports, which we classify into Core or Supplementary CSR regarding their connection or disconnection with the core business activities of banking firms. We present evidence that CSR information has a relevant presence in social media. Our evidence suggests that internal users' information is opportunistic as their microblogs are biased towards favourable information. We also show significant differences between the information interests of internal and external users. Core CSR information is mainly referred to by outsiders, whilst insiders mainly communicate Supplementary CSR information. Finally, we provide evidence that firm size, listing status and impact on society are important determinants for firm-initiated communication in social media.

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## **1. Introduction**

The internet has democratized the process of dialogue between companies and their stakeholders (Coombs, 1998). It enhances the flow of information, reviews, complaints, recommendations and comments addressed to inform about a particular product, brand or company, and even to influence the behaviour or attitudes of users and consumers (Jeacle and Carter, 2011; Jansen et al., 2009). In recent years, social media has gained importance in all areas of social relations and, in particular, in the business environment since they allow greater interaction than any other media. Simultaneously, stakeholder engagement has become a key strategy for firms to manage their social and environmental issues (Adams and Frost, 2006; Frooman, 1999). Companies turn to diverse communication media options to engage their potential stakeholders, and the internet has become essential within the business strategy of communication with stakeholders.

Prior research has analyzed the use of the internet by companies to engage with their stakeholders primarily through the study of firms' websites (Gomez and Chalmeta, 2011; Capriotti and Moreno, 2007; Adams and Frost, 2006; Unerman and Bennett, 2004). However, few studies analyze this question through social networks, a communication channel of high interest because their use has become widespread in recent years and they allow permanent real-time interaction between users. They also represent a type of media that promotes the initiative of stakeholders more than any other media, and that requires no action by companies to initiate communication. Thus, the study of social networks permits examining whether companies seek real interaction with stakeholders or if their intention is to use these tools in the same way as traditional media channels, where one-way communication predominates, as the evidence in Lovejoy et al. (2012) highlights for the case of non-profit organizations.

Stakeholder engagement is not necessarily a socially responsible practice (Greenwood, 2007). However, best practice in CSR and CSR reporting encourage companies to involve their stakeholders, since they are essential in defining materiality and relevance of CSR issues, and to communicate efficiently and effectively with them (Manetti, 2011). This communication helps to align the interests of the firm and their stakeholders and to avoid business activity causing negative impacts on the environment. Thus, we consider that CSR information communication is a key element within stakeholder dialogue and particularly relevant to the study of companies' engagement, use and communication through social networks.

In this chapter, we study stakeholder engagement in social media communication. In particular, we focus on CSR information communication. In our analysis, we build on prior research to study communication in social networks, and in particular, in Twitter. According to legitimacy theory arguments, firms voluntarily disclose information to change the perception of stakeholders (Cho et al., 2012; Deegan, 2012), and this information usually has a marked positive bias (Cho et al., 2010). This is consistent with an ample prior literature on disclosure (e.g., Verrecchia, 2001), which suggests that firms exercise discretionary disclosure. We expect that, similar to other communication channels, information asymmetry between insiders and outsiders permeates this channel. However, a unique feature of social networks is that outsiders often initiate the communication, engaging other stakeholders and even the firms, who may feel compelled to provide direct answers to users that would normally fall under the category of 'uninformed,' such as individual customers. Stakeholder-initiated communication is a type of communication that is not well understood in the literature. It is thus of interest to provide novel evidence that may help to understand how firms

manage their communication strategies in an environment in which stakeholder-initiated communication predominates.

To analyze the content of the communication, we first identify the stakeholders initiating it. In particular, we differentiate between external stakeholders (also called external users or outsiders) and internal stakeholders (also called internal users or insiders). This distinction helps us understand stakeholder engagement. Second, we use the theoretical framework developed in Chapter 1 and distinguish between what we label as Core and Supplementary CSR. Core CSR relates to CSR information directly linked to the core business of companies, while Supplementary CSR relates to information about social action, cultural and/or environmental activities that are detached from the core business. We base this separation on the extant prior literature that identifies the relationship between CSR and core business activities as key to understand CSR practices (Jenkins, 2009; Peloza, 2006; Porter and Kramer, 2006, 2002; Burke and Logsdon, 1996).

Few media meet the requirements set in Hopwood (2009) of being channels that can be used to increase legitimacy in the wider world and to facilitate the construction of a new and different image of the company as well as social media. In line with this view, we expect that internal users' use of social media will be consistent with legitimacy attempts whilst fostering stakeholder engagement. In particular, we expect that internal users will use social media to disseminate a 'new and different image of the company,' whilst external users of social media are expected to differ significantly. External users engage in stakeholder dialogue to gain access to valuable information about the core business of the firm and about firm activities that are directly related to their concerns.



Our empirical analysis focuses on the Spanish banking industry in the aftermath of the financial crisis. We choose this sector because of its high social impact in Spain and its long and profound crisis, as evidenced by the fact that credit institutions appeared, for the first time, in June 2012 among the main concerns of citizens in the Barometer developed by the Centre for Sociological Research (CIS). However, this is not the only evidence of a potential change of mind of consumers about the importance of ethics in finance. The so-called ‘ethical banking,’ although still without significant weight in the Spanish banking system, has experienced an exponential growth in terms of customers, deposits and loans in recent years. According to the Observatory of Ethical and Solidarity Finance Association (FETs), between 2008 and 2012, the assets held in these entities multiplied by 4.5, reaching almost €1bn. In addition, the disappearance of many savings banks and their social welfare projects has left an important gap in the market that other types of banking institutions now seek to occupy. Therefore, the Spanish banking industry is facing an unprecedented scenario in which consumers seem more sensitive to ethics in finance and where CSR has become an essential tool to adapt to the new market conditions and mitigate the high reputational risk.

This paper contributes to the understanding of CSR information dissemination through social media and the interaction between companies and stakeholders. First, we provide descriptive evidence showing that CSR is a relevant issue in social media. Given the scarcity of prior research in this area, an important contribution of this study is to provide novel exploratory and descriptive evidence of how companies and stakeholders engage in social network communication and what information they discuss. Furthermore, we show that companies fail to align their communication strategy with the interests of the external stakeholders and that internal users’ communication is consistent with legitimacy attempts. Finally, we also provide

evidence of the determinants of CSR information communication in social media and conclude that this type of information is linked to a high visibility of companies, which is consistent with prior literature.

Our research is potentially of interest for users of CSR information who may better understand how firms use social networks to disseminate information, but also for firms, as it may provide them with useful data on how to address their CSR communication in social media to optimize their impact in terms of corporate reputation.

The chapter is structured as follows: In the next section, we review the relevant theory and develop the hypotheses. Section 3 contains the research design and the methodology. Section 4 shows our results together with a discussion and interpretation of these. Section 5 presents the concluding remarks, the limitations of the study, and an outlook on further research.

## **2. Literature Review and Hypotheses Development**

We are interested in understanding stakeholder engagement in social media, and in particular, the areas of CSR that are the focus of stakeholders and firms, to identify whether these are different. We also study if the variables linked to visibility that determine the disclosure of CSR information issued on other media are still relevant on social networking tools. In this section, we review prior literature and present our hypotheses.

### ***2.1. Social media: A unique setting to analyze stakeholder engagement***

Stakeholders are entities typically (but not necessarily) outside of the firm that the organization seeks to influence and that acting formally or informally, individually or

collectively, can positively or negatively affect the operation of the organization (Murray and Vogel, 1997, p. 142). Since business activities have an impact on a wide range of stakeholders, stakeholder dialogue has become a key process in business management and accountability practices (Unerman and Bennett, 2004). This dialogue is a necessary previous step for companies to develop a sincere and effective stakeholder engagement, which is the involvement of those stakeholder groups affected by the activity of a company in the decision-making process.

Prior research argues that the problem of stakeholder dialogue is that companies cannot engage with *all* stakeholders. Managers need to be selective and prioritise given that communication with stakeholders is costly and time consuming, and “*to engage in a dialogue with all relevant stakeholders is beyond the capacity of any company*” (Pedersen, 2006, p. 151). Unerman and Bennett (2004) present internet as an environment which overcomes many of these limitations since it allows the companies to reach a large number of stakeholders at relatively little marginal cost, and it enhances interactive communication. In addition, social media such as Twitter or Facebook are internet-based channels that show a unique feature in terms of interaction. Since these two-way communication platforms are out of the control of the companies, the stakeholders themselves can initiate the communication process related to any topic that they are interested in discussing with the companies, or perhaps more importantly, with other users. This second form of communication is particularly novel, as it is outside of the control of the firm, but at the same time, in full view of it, as users often refer to the company when they communicate publicly.

Social activism is gaining strength and presence on the internet (Yang, 2013; Kahn and Kellner, 2004), as evidenced, for example, by the fact that the petition website

Change.org has more than 100 million unique users in 196 countries.<sup>19</sup> This is particularly important given the evidence in Kramer et al. (2014) of massive-scale emotional contagion through social networks. In an environment of social mobilization, powered in recent years by new information and communication technologies, dialogue with stakeholders is an essential strategy even to ensure the financial stability of companies (Vasi and King, 2012; Morsing and Schultz, 2006; Ruf et al. 2001). Whilst the impacts of social media are still not well understood, recent evidence suggest their effects are economically significant and far-reaching. King and Soule (2007) empirically demonstrate that activist groups' protests have a negative effect on the price of the securities of a company when they involve its main stakeholders and get a high impact on mass media. The social networking environment meets these two premises, since they are platforms with a large presence of activist groups that achieve rapid dissemination of their protests on the internet.

Moreover, Jansen et al. (2009) conclude that microblogging has become an important tool for customer word-of-mouth communications and recommend firms to take this into account when designing their overall marketing strategies. Kane et al. (2009) analyzed the change that is taking place in business relationships with their environment due to the emergence of social networks and how they are changing the rules of the game, since this new scenario enhances the interaction between companies and their stakeholders and demands an immediate and consistent communication by firms to prevent reputation damage. Culnan et al. (2010) delve into the idea of the need

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<sup>19</sup> Change.org is a web platform where users can start or support a petition. The aim is to create social pressure to change things. Change.org website <<http://www.change.org/about>>, accessed July 2015. A clear example of their lobbying power is the case of a petition made by a customer of the bailed-out Bank of America (the second largest banking group in the United States), requesting the removal of a \$5 monthly fee that this entity had begun to apply for the use of their debit cards. This petition got more than 300,000 supporters in a month, finally forcing the company to give in to pressure by eliminating the bank fee for that service (see Change.org petition: "Tell Bank of America: No \$5 Debit Card Fees" <<http://www.change.org/petitions/tell-bank-of-america-no-5-debit-card-fees>>).

for efficient management of the relationship between companies and their stakeholders also in the digital environment, and they perform recommendations to be considered in the 2.0 communication strategy to gain business value from social media.

Given the above evidence, our paper presents social media (focusing on Twitter) as a unique setting to analyze stakeholder engagement. In particular, we provide evidence of a high presence of CSR content within the overall subset of information disseminated through social media.

## ***2.2. Stakeholder (dis)engagement in social media***

The information issued by companies in social media fits under the umbrella of voluntary disclosure, which is usually linked to information with a marked positive bias (Cho et al., 2010; Verrecchia, 2001). Morsing (2006) argues that this type of communication can be employed by companies to improve their reputation amongst their external stakeholders, and thereby increase the identification of internal stakeholders with the company, but also, a number of authors warn that this information might be opportunistically used by managers to manage public impression (Dhaliwal et al 2011; Highhouse et al, 2009; Jenkins, 2004).

As explained in Chapter 1, the relationship between CSR and core business activities is a recurrent issue in the literature (see, for example: Jenkins, 2009; Peloza, 2006; Porter and Kramer, 2006, 2002; Burke and Logsdon, 1996). Many authors advocate the need to incorporate CSR policies into the companies' strategy to maximize their positive effects in the long term. Thus, Burke and Logsdon (1996, p. 496) argue that CSR *“is strategic when it yields substantial business-related benefits to the firm, in particular by supporting core business activities and thus contributing to the firm's effectiveness in accomplishing its mission.”*

Other authors have studied CSR activities that are disconnected from the core business, most of them philanthropic, and their effects on financial performance (see, for example: Brammer and Millington, 2008; Wang et al., 2008; Seifert et al, 2004). These activities are usually related to social action, cultural and/or environmental projects which, in many cases, are channelled through foundations that belong to the same business group. Petrovits (2006) presents evidence about the strategic use of these charitable foundations to achieve financial reporting objectives. Porter and Kramer (2002) highlight the lack of focus and coherence of the majority of corporate contribution programs. These authors also noted that the fragmentation of CSR and philanthropic activities, and their disconnection from the company's strategy, lower their social impact on society and their positive effect on the firm's long-term competitiveness (Porter and Kramer, 2006). Along the same lines, Du et al. (2010) conclude that the aforementioned disconnection reduces stakeholders' positive reactions to a company's CSR activities as their extrinsic motives are more evident.

The information about philanthropic activities shows a remarkable positive bias and enjoys great media visibility through sponsorships and/or cause-related marketing (McAlister and Ferrell, 2002). Thus, this kind of CSR information can be opportunistically implemented to eclipse deficiencies in the ethical responsibilities linked to the core business. In our work, to understand stakeholder engagement in social media, we focus on this relationship to differentiate between CSR activities directly related to the core business of banking firms, which we denote as 'Core CSR', from the other activities that are not linked to the banking business, which we identify as 'Supplementary CSR.' In addition, we separate social media users into internal users and external users. As can be seen in the Appendix 2.1, 'internal users' refers to

corporate accounts, managers and employees.<sup>20</sup> While external users are, from a broad perspective, external stakeholders of the banking firms under study, this is: public administrations, other companies, mass media, NGOs, civic associations, unions and individual Twitter users.

Considering the previously reviewed evidence that Supplementary CSR is associated with positive bias in both the content and style of information, we expect that insiders focus more on discussing Supplementary CSR than external stakeholders, as they might be using social networks as a marketing tool to promote their philanthropic facet and enhance their reputation. Therefore, we expect that the use of social media by internal users will be consistent with legitimacy theory. Conversely, external stakeholders are expected to be interested in using social networks to gather novel information about Core CSR issues that concern them, and they “*want firms to listen, appropriately engage, and respond*” (Kietzmann et al., 2011). Thus, we expect external stakeholders to discuss Core CSR issues more than internal stakeholders. In essence, we predict that we will observe evidence of stakeholder (dis)engagement in social media.

Based on the above discussion, we formulate the following hypothesis:

Hypothesis 1: *The engagement in Core and Supplementary CSR information communication in social media diverges between internal users and external stakeholders.*

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<sup>20</sup> Additional tests not included in this paper show no differences in the way that the three different types of accounts – corporate, managers and employees – defined as ‘internal users’ behave in Twitter. Most of the times these accounts simply retweet (forward a message in Twitter) the corporate account. This fact leads us to apply a homogeneous treatment to these accounts and identify all these users with the companies themselves.

### ***2.3. Determinants of CSR communication in social media***

According to legitimacy theory, companies disclose CSR information to legitimize their role in society and their behaviour towards their stakeholders (Cho et al, 2012; Deegan, 2012; Patten, 1992a; Patten, 1992b). This theory is based on the existence of a “social contract” between business and society, by which companies must develop their activity according to a set of values, principles and standards generally accepted by the society in which they operate. The lack of observance of these principles involves a breach of contract, leading to a loss of legitimacy and confidence which may threaten the survival of the business. That is why companies strive to communicate to society in general, and particularly to their stakeholders, those actions aimed to demonstrate that they are socially responsible companies that are guided by the values which society advocates.

The empirical literature developed on the basis of legitimacy theory concludes that firms with greater visibility are more subject to social scrutiny and thus, have a greater need to legitimize their actions through wider dissemination of CSR information. Visibility can be linked to the proximity to the final consumer, which is the case of the banking industry (Branco and Rodrigues, 2006), to companies or industries with a high social and/or environmental impact (Cho et al, 2012; Deegan, 2012; Patten, 1992a), to company size (Hossain and Reaz, 2007; Patten, 1992b; Chow and Wong-Boren, 1987), and to listing status (Domench, 2003; Meek et al., 1995). In this study, we differentiate the information that comes from both internal and external stakeholders, so we can associate the former with voluntary disclosure, while the latter could be an additional proxy for visibility to contrast with those already applied in the prior literature.

Zeghal and Ahmed (1990) study the social responsibility information disseminated through mass media disclosure within a sample of Canadian firms and conclude that it is different, both in form and content, from the information disclosed in their annual



reports and sustainability reports. These authors state that the information provided in these reports by itself could not adequately represent the information disclosure of a company or an industry. In our study, we add a new channel of CSR communication, social networking tools, to delve into the analysis of this type of information and we investigate the following hypothesis.

*Hypothesis 2: CSR communication in social media is positively associated with firm's visibility*

### **3. Research Design and Methodology**

#### ***3.1. Twitter™: context and advantages***

Kaplan and Haenlein (2010, p. 61) define social media as “*a group of Internet-based applications that build on the ideological and technological foundations of Web 2.0, and that allow the creation and exchange of User Generated Content.*” Amongst this group of applications, Facebook and Twitter have become the most popular, especially for business communication purposes (Bharadwaj et al., 2013).

Although Facebook is the largest site, to analyze the communication strategy of Spanish banks in social networks we use the Twitter microblogging platform because it offers three key advantages. First, tweets are public by default, which increases the amount of information we can access. Second, posts are limited to a maximum of 140 characters, which facilitates the identification of their essential content. Third, the functions of Twitter are quite limited, which simplifies the understanding of the communication processes that take place in this site. Inside a tweet we can find the “@” symbol before a username, which means that the message – despite being public – is directed to a specific user. There are also some keywords that begin with the “#”

symbol, they are called hashtags and mean that the tweet is relevant to a particular topic. Hashtags are used to unify tweets about a topic or event and facilitate searching for information. Tweets can also be retweeted when users want to forward along another user's tweet to their own followers. This can be done through the native feature of the Twitter application or copying the full tweet, including the author's username, and writing "RT" before it. This re-sharing does not necessarily mean endorsement.

Finally, we have also considered the wide acceptance of Twitter among internet users, primarily in Spain, which is amongst the countries with a higher Twitter penetration rate across the world (Hawelka et al., 2014). Twitter was launched in July 2006 and currently has more than 302 million active users worldwide.<sup>21</sup> About 5.3 million Spaniards used Twitter in 2012,<sup>22</sup> and, according to the website Alexa.com,<sup>23</sup> Spain is the fifth country in the world by number of visits to the site *Twitter.com* with 4.1% of the total, only exceeded by the United States (28.5%), India (5.8%), United Kingdom (4.9%) and China (4.9%), all with a population significantly higher than Spain. In the ranking by country, *Twitter.com* was the fifth most popular site in Spain.

### ***3.2. Sample selection and procedure***

To understand the importance of CSR in the information disseminated on Twitter about companies, we select 41 Spanish banking institutions representing 95.9% of total banking assets<sup>24</sup> in Spain and gather the tweets that mentioned these firms over the

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<sup>21</sup> Twitter™ website: <https://about.twitter.com/en-gb/company>, accessed July 2015.

<sup>22</sup> Study 'Spain is digital. Trends and consumption online in Spain,' Nielsen (2012).

<sup>23</sup> Founded in 1996, Alexa is an Amazon.com company that provides deep analytical insights to benchmark, compare and optimize businesses on the web. There are no more recent studies to determine the acceptance and expansion of this microblogging service in Spain, so we resorted to this website <<http://www.alexa.com/>>, accessed June 2014.

<sup>24</sup> Financial data were obtained from Bankscope database. We consider the data for the 2012 year-end figures, the latest available for all entities at the time that we delimited the sector. We covered all the categories of credit institutions recognized by the Bank of Spain: commercial banks, savings banks, cooperative banks and foreign banks branches. We have not included the Official Credit Institute (ICO)

three-month period from November 2013 to February 2014. This ensures we capture the year-end flows of information, as all of our sample firms have December year-ends. Assisted by a software tool, we manually classified the content of CSR-related tweets and analyzed their weight on the total amount of tweets that mentioned each company.

To study the areas of CSR that are the focus of the different interested parties and any potential differences between them, we examine the content of communication dividing Twitter users into internal and external depending on their relationship with the firms. We analyze the content of their microblogs on the basis of a theoretical framework of CSR which differentiates CSR issues regarding their connection or not to the core business. In this way, we can determine whether the information provided by the internal users is aligned with the interests of stakeholders or, conversely, they present divergent interests.

To determine if the variables associated with higher visibility in the literature influence the amount of information generated on Twitter, we run various parametric t-tests for the equality of means. We separate the sample of 41 banks in two groups regarding the following factors: a) size, b) listing status, and c) belonging or not to a subindustry with a high social impact, in this case, the former Spanish savings banks. After that, we test if their differences across groups are significant.

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because it needs the mediation of other financial institutions and does not operate in the individual customers segment. Due to the significant restructuring process undergone by the Spanish banking sector in recent years, the category of savings banks actually represents the former savings banks reconverted into commercial banks. Considering it of interest to our research, we also added the ‘ethical banking’ as an additional category, although these entities could be included in some of the before-mentioned categories.

### 3.3. Data gathering

Below, we explain the entire process by which we collect and analyze the Twitter information related to the social impact of the selected banking institutions, in which we distinguish four different phases:

**Phase #1. Storage of information (tweets).** The software we use to collect our data permanently captures tweets linked to our selected search terms (we search for the names of our sample of banks) from the Twitter application program interface (API) and stores the data in a Structured Query Language (SQL) server.<sup>25</sup> The only restriction that would entail a loss of information at this stage could happen in the case that one of the search terms represented more than 1% of total worldwide activity on Twitter. However, this unlikely event does not affect our research because only a few major events in the world of sports have exceeded this limit so far. Every tweet is, therefore, stored in a SQL database incorporating the following information: (a) search term, (b) identifier code of twitter user, (c) date and exact time of the tweet, (d) if applicable, link with a previous tweet (retweet or reply) and (e) post or tweet itself.

**Phase #2. Systematic extraction of tweets and corpus creation.** All tweets captured in the previous stage were saved in *csv* (comma-separated values) files. We uploaded each file to an on-line software that transforms the *csv* files into a list of keywords sorted from highest to lowest frequency of use when mentioning each banking institution. These corpuses of keywords, which group the full set of tweets in which they appear,

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<sup>25</sup> The restructuring process also affected our strategy of information search and we associate the name under which the company currently operates with the names of the entities that were integrated into it. This is because we observed that the general public still maintained the old names when referring to the new entity. As a result, there can be several search terms linked to a single company in order to get the most complete information about each entity; for example, we have the following search terms associated with 'CaixaBank': *CaixaBank*, *La Caixa*, *Banco de Valencia*, *Banca Cívica* and *CajaSol*. Up to 400 search terms per IP address could be collecting data at the same time, a capacity that never was exceeded during this study.

are the fundamental unit for our content analysis and allow processing all the information according to our methodology.

The process of corpus creation was the same for keywords and hashtags (words preceded by the “#” symbol, which are labelled in this way to get more visibility). In regard to the analysis of Twitter users, they were also sorted in a list from highest to lowest degree of participation (either because they post or because they are mentioned in the tweets). In this phase the software presented the limitation that the file used to get the corpus had a limited capacity of a maximum of 5,000 tweets. In the event that the *csv* file of a particular bank exceeded that amount, what usually happens with large or medium-sized banks depending on the length of the period of analysis, the program performed a random sample of 5,000 tweets to develop the corpus and then applied the coding process to the whole file. However, this sample size guaranteed to be representative for an infinite population of tweets at a 95% confidence level and a 1.386% sampling error.

***Phase #3. Content filtering.*** Prior to the creation of the final corpus, a data cleaning process was performed to facilitate the subsequent manual coding.<sup>26</sup> For example, meaningless words (a.k.a., stop words), such as prepositions, conjunctions, determiners, etc. were removed and all the words, users and hashtags which introduce information not directly related to the activity of the entity were filtered. These contents filtered and eliminated from our study are associated with advertising campaigns or sponsorships undertaken by the companies. For example, the bank BBVA is the main sponsor of the Spanish Professional Football League (LFP, for its abbreviation in Spanish) and we

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<sup>26</sup> Although most of this filtering process is performed prior to encoding phase, it can be performed simultaneously with the creation of the corpus since some items that must be filtered arise during next phase. Importantly, in those cases where we observe a predominance of contents not related to the entity, we can apply filters previously to the sample selection so that it is not contaminated by this type of content.

found a large number of messages mentioning football matches, footballers signings or controversial referee decisions including the word ‘BBVA,’ but in any case the messages referred to the bank itself. Similarly, we found advertising campaigns called ‘Conversations about the Future’ campaign developed by Banco Sabadell used in many messages with no relation to the activity of this bank.

**Phase #4. Manual classification.** This process consisted of associating each keyword, hashtag and user to one of the criteria that we created based on our theoretical framework, that focus on the distinction between Core and Supplementary CSR. These criteria included, within each of the before-mentioned types of CSR, the issues that primarily affect the key stakeholders of the Spanish banking industry. Both for the identification of key stakeholders and their associated CSR criteria, we took into account the information provided by the entities themselves in their CSR or sustainability reports and defined a common framework for the whole industry. The criteria are the same for keywords and hashtags and they are based on the impact of banks on their main stakeholders. Twitter user classification was made regarding the group to which they belong and their relationship with the banking institution.

The classification work extends to the 300 most frequently used keywords (reviewed, and classified only when appropriate), the 90 hashtags (reviewed, and classified only when appropriate) and the 30 most active Twitter users (classified in all cases). These limits were set in the level where the frequency associated with keywords, hashtags and users significantly fell for an average company. The Appendix 2.1 shows all the criteria included in this classification with their description and some examples of keywords, hashtags and users linked to them, and the Appendix 2.2 contains a small sample of tweets that have been classified within the diverse criteria. According to Milne and Adler (1999, p. 243) “individual words have no meaning to provide a sound

basis for coding social and environmental disclosures without a sentence or sentences for context,” so it is important to note that the classification of keywords and hashtags on a specific criteria is performed according not only to their intrinsic meaning but also to the information provided by the group of tweets that mention each item, thus a same word could be classified on different criteria depending on the context of the conversation. This thorough examination of the information can only be done by a manual process and provides our classification with a high reliability.<sup>27</sup> Therefore, the examples given in the Appendix 2.1 are merely illustrative and do not have a unique and general association to a particular criterion. A tweet could also be coded into more than one category. For example, a tweet that mention the keywords ‘mortgages’ and ‘bail-out’ refers at the same time to issues affecting individual customers of a certain bank, and also the Spanish society as a whole.

## **4. Results**

### ***4.1. Descriptive evidence***

First we study the presence of CSR-related issues on the tweets analyzed. During the 93 days under review we collected about a million tweets containing the name of the 41 selected banking institutions, as shown in Table 2.1. The filtering process eliminated 81.6 thousand tweets that bear no relation to the activity of these companies. Of the 888.3 thousand tweets analyzed, 419.4 thousand (47.2%) were included in at least one of the defined criteria; this means that almost half of the tweets about Spanish banks in this period were related to the impact of their activity on any of their key stakeholders.

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<sup>27</sup> In order to check the reliability of our classification and clarity of the criteria we performed a test in which five people unconnected with our research did the same classification process based on the descriptions given in the Appendix 2.1 resulting a coincidence in terms of number of tweets classified in each criteria of above 80%.

**Table 2.1.** Total amount of tweets collected, filtered, analyzed and classified in at least a criterion by bank

#	Bank	Tweets			Classified in at least a CSR criterion	
		Collected	Filtered	Analyzed	Total	%
1	Banca March	482	0	482	162	33.6
2	Banco Popular	20,538	4,605	15,933	6,782	42.6
3	Banco Sabadell	12,059	3,604	8,455	5,353	63.3
4	Banco Santander	34,566	485	34,081	21,002	61.6
5	Banco Valencia	3,009	0	3,009	2,793	92.8
6	Banesto	5,664	1,343	4,321	1,283	29.7
7	Bankia	307,527	735	306,792	201,955	65.8
8	Bankinter	9,423	0	9,423	5,014	53.2
9	Bantierra	417	0	417	278	66.6
10	Barclays	19,867	3,138	16,729	5,953	35.6
11	BBVA	310,235	21,173	289,062	59,199	20.5
12	BFA*	2,856	0	2,856	2,796	97.9
13	BMN	9,563	1,413	8,150	4,180	51.3
14	Banco Caixa Geral	201	2	199	170	85.4
15	Caixa Ontinyent	116	0	116	65	56.0
16	Caixabank	74,590	13,650	60,940	30,012	49.2
17	Caja Laboral	2,100	1,244	856	323	37.7
18	Caja Rural CLM	274	0	274	251	91.6
19	Caja Rural Extremadura	211	4	207	146	70.6
20	Caja Rural Granada	78	0	78	65	83.3
21	Caja Rural Navarra	43	0	43	26	60.5
22	Caja Rural Soria	33	0	33	27	80.6
23	Caja Rural Teruel	147	0	147	22	15.0
24	Caja3	1,923	65	1,858	1,331	71.7
25	Cajamar	4,815	910	3,905	2,329	59.6
26	CatalunyaBanc	2,833	0	2,833	2,476	87.4
27	CEISS	2,067	0	2,067	1,501	72.6
28	Citibank	4,228	1,589	2,639	554	21.0
29	Coop57	212	0	212	104	49.3
30	Deutsche Bank	9,781	79	9,702	5,813	59.9
31	Ibercaja	10,735	66	10,669	8,899	83.4
32	ING Direct	4,318	1,946	2,372	1,279	53.9
33	Kutxabank	11,091	758	10,333	6,108	59.1
34	Liberbank	34,162	0	34,162	28,176	82.5
35	Lloyds	1,993	15	1,978	1,584	80.1
36	NCG Banco	3,773	340	3,433	2,173	63.3
37	Oikocredit	42	0	42	13	31.7
38	Openbank	2,505	0	2,505	2,307	92.1
39	Triodos Bank	1,492	0	1,492	699	46.9
40	Unicaja	59,850	24,450	35,400	6,076	17.2
41	Unnim	126	6	120	96	80.0
<b>TOTAL</b>		<b>969,945</b>	<b>81,620</b>	<b>888,325</b>	<b>419,376</b>	<b>47.2</b>

\* Parent company of the group BFA-Bankia



Also, it is noteworthy that about 50% of microblogs were associated with the banking conglomerate BFA-Bankia. This amount, which might seem excessive, was easy to understand when we considered the following reasons: (a) BFA-Bankia is the fourth biggest bank by assets in Spain, (b) it starred in the biggest bail-out of a Spanish bank during the financial crisis, (c) it was the bank that affected a greater number of savers with the preferred shares fraud, (d) it was identified by the Platform of People Affected by Mortgages (PAH) as the bank that evicted more families from their homes<sup>28</sup> and, finally, (e) it frequently appears in the media linked to accounting scandals and multiple cases of corruption, one of which had important developments during the analyzed period. However, while BFA-Bankia was the bank that generated the greatest amount of CSR-related tweets in absolute terms (about 200,000 microblogs, this is, 65.8% of total tweets mentioning BFA-Bankia), in relative terms there were other banks that exceeded that amount with more than 80% of CSR-related tweets, as shown in Table 2.1.<sup>29</sup>

As shown in Table 2.1 we found that the two entities with a greater number of filtered tweets, BBVA and Unicaja, are amongst those with proportionally fewer CSR-related tweets (20.5% and 17.2% respectively). This is because their name is linked to other issues which go beyond their banking activity, in particular, to major sports events: BBVA is the main sponsor of the Spanish Football League and Unicaja sponsors a popular basketball team. Whilst these activities relate to their marketing strategy, we

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<sup>28</sup> In May 2014, the international NGO Human Rights Watch released the report ‘Shattered Dreams: Impact of Spain Housing Crisis on Vulnerable Groups’ where they asked Spanish banks for explanations about their “irresponsible and unfair terms in mortgage contracts” before and during the country’s credit crunch. Link to the report <<http://www.hrw.org/reports/2014/05/28/shattered-dreams>>, accessed August 2014.

<sup>29</sup> Bankia’s case poses the hypothesis that, in a controversial industry, the information disseminated through social networking tools has a noticeable negative bias and, therefore, enhances reputation problems for these companies. However, we do not analyze sentiment in this study and this particular issue is out of the scope of our research.

do not consider them as part of CSR. The vast majority of microblogs discussed specific matters of the sponsored activities, and we carried out a thorough filtering process to mitigate that noise in the content analysis.

#### **4.2. Stakeholder (dis)engagement analyses**

Having analyzed the remarkable presence of CSR content in social networking, we next address the content analysis. To do so, we use a panel data set in which the observations are number of tweets per company and per day, resulting in a total of 2,816 items.<sup>30</sup> In this section we analyze the content of microblogs to identify the issues that generate a greater number of tweets. We also study the communication strategy of companies on social networking tools to detect their main points of interest and determine if they match those of their stakeholders.

Table 2.2 provides the Pearson Correlation Matrix for the following variables: total amount of tweets related to all the banks (*tw\_total*), Core CSR-related tweets (*core\_csr*), Supplementary CSR-related tweets (*suppl\_csr*), users distinguishing between internal (*int\_total*) and external (*ext\_total*), and the four intersections of both types of CSR and both types of users (*ext\_core\_csr*, *ext\_suppl\_csr*, *int\_core\_csr*, *int\_suppl\_csr*). Correlation is appropriate to study the visibility of these issues because a higher level of activity on Twitter means that there are more people talking about the same issue and, therefore, microblogs can reach a wider amount of users. By contrast, issues that despite having a relatively high average number of tweets, do not show a high positive correlation with the level of activity, will not be able to reach a great part of users.

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<sup>30</sup> There was no activity on Twitter in relation to certain companies during some days of the analysed period. Therefore, these observations were not included in the sample, which could have brought a maximum of 3,772 observations (41 companies \* 92 days).

**Table 2.2.** Descriptive statistics and Pearson correlation matrix for variables that identify the content of tweets (in terms of Core and Supplementary CSR) and users (in terms of external and internal), and their influence on the generation on tweets

Variable <sup>1</sup>	Mean	Std. Dev.	Min	Max	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(1) tw_total	315.456	1053.129	1	18084	1								
(2) core_csr	164.813	782.548	0	14224	0.800**	1							
(3) suppl_csr	15.668	61.609	0	1041	0.365**	0.085**	1						
(4) ext_total	46.214	258.189	0	5266	0.683**	0.929**	0.062**	1					
(5) ext_core_csr	44.808	258.002	0	5266	0.683**	0.930**	0.052**	0.999**	1				
(6) ext_suppl_csr	1.406	6.813	0	150	0.048**	0.004	0.383**	0.041*	0.014	1			
(7) int_total	11.309	58.781	0	1405	0.462**	0.360**	0.225**	0.382**	0.378**	0.171**	1		
(8) int_core_csr	8.821	56.412	0	1387	0.433**	0.369**	0.127**	0.392**	0.389**	0.108**	0.989**	1	
(9) int_suppl_csr	2.488	9.001	0	126	0.300**	0.043*	0.673**	0.039*	0.028	0.437**	0.334**	0.189**	1

\*p < 0.05; \*\*p < 0.01

<sup>1</sup>Variables description:

*tw\_total*: Total amount of microblogs in Twitter mentioning the firm

*core\_csr*: Number of Core CSR-related tweets mentioning the firm

*suppl\_csr*: Number of Supplementary CSR-related tweets mentioning the firm

*ext\_total*: Total amount of tweets issued by external users mentioning the firm

*ext\_core\_csr*: Number of Core CSR-related tweets issued by external users mentioning the firm

*ext\_suppl\_csr*: Number of Supplementary CSR-related tweets issued by external users mentioning the firm

*int\_total*: Total amount of tweets issued by internal users mentioning the firm

*int\_core\_csr*: Number of Core CSR-related tweets issued by internal users mentioning the firm

*int\_suppl\_csr*: Number of Supplementary CSR-related tweets issued by internal users mentioning the firm

The correlation coefficients show a remarkable predominance of Core CSR issues, this is, microblogs about the impact of the banking industry on their key stakeholders through their main business. While Core CSR-related tweets show a correlation coefficient of 0.800 with the total number of tweets, Supplementary CSR-related tweets about social action, cultural and environmental projects performed by banks only reach a correlation of 0.365 with the overall content generation. As a second relevant aspect, we highlight the divergence of interests between external users, clearly interested in Core CSR, and internal users, who are responsible for the majority of microblogs about Supplementary CSR.

Table 2.3 provides the mean values for the intersections of Core and Supplementary CSR-related tweets with external and internal users, in terms of amount of tweets per company and per day. Twitter accounts of internal users exhibit a different behaviour from external users. To do this, we performed a paired t-test of means firstly in absolute values and later in relation to the total amount of tweets issued by each of the user groups, given that external users are more numerous and show a higher level of activity and therefore comparability may not be possible. However, both types of tests provide the same result demonstrating that all the differences, either in absolute or relative terms, are significant at the  $p < 0.001$  level. The results indicate that external users ‘talk’ much more about Core CSR than internal users, and that the latter show a higher level of participation than the former for Supplementary CSR issues. Therefore, the results confirm the Hypothesis 1 and we can conclude that, despite the overall dominance of Core CSR-related content, the analyzed companies made a remarkable effort to communicate about Supplementary CSR activities. This corporate strategy did not translate into a greater interest of stakeholders about this type of actions. In this way, we provide empirical evidence of the divergence of CSR interests between companies and

stakeholders and of the fact that social networking tools are beyond the control of firms, unlike traditional media in which this control commonly appears to a greater or lesser extent (Mangold and Faulds, 2009).

**Table 2.3.** Mean values of Core and Supplementary CSR-related tweets for external and internal users and paired t-test

	Obs**	Mean values <i>Number of tweets per company and per day</i>	
		External Users	Internal Users
Core CSR-related tweets	2816	44.81	8.82 *
Supplementary CSR-related tweets	2816	1.41	2.49 *
Core CSR-related tweets /Total users type tweets	834	0.79	0.68 *
Supplementary CSR-related tweets /Total users type tweets	834	0.21	0.36 *

\* Difference is statistically significant - Paired T-test,  $p < 0.001$

\*\* The number of observations is reduced to 834 when taking relative terms because in this ratio the denominator is ‘number of tweets issued by either external or internal users,’ therefore, when there are no tweets the quotient is indeterminate and these observations are excluded from the sample. Given that internal users’ accounts present lower activity than external users accounts, and that the test requires observations to be comparable for both types of users, these circumstances make the number of observations decrease.

#### ***4.3. Determinants of CSR communication on Twitter***

To analyze the determinants of CSR communication on Twitter and test the Hypothesis 2, we performed a univariate analysis for each one of the factors associated with greater visibility of businesses and wider dissemination of CSR information in the literature. To this end, we conduct a cross-sectional analysis, adding the panel data at the firm-level. Subsequently, we split the sample of 41 companies into two groups based on size, listing status and social impact.

- *Size* is measured using the volume of total assets. This measure is more appropriate than the number of workers, since the sample includes diverse banking business models which are not comparable in terms of number of

employees. We can find online banking firms with a large number of customers but a small number of workers, as they hardly have branches. On the other hand, there are cooperative banks, whose business model requires opening a large number of branches in rural areas with low population and, therefore, they have access to fewer customers. We identify as large the 20 entities which are above the median and the rest as small.

- *Listing status* identifies banks quoted in the Stock Exchange. In the sample there are a total of 14 companies whose shares are publicly traded in the Madrid Stock Exchange and 27 are non listed companies.
- *Social impact* identifies companies that belong to a controversial subindustry. As we explained, the sample consists of commercial banks, entities linked to former savings banks, cooperative banks and entities belonging to the so-called ‘ethical banking.’ Amongst these subsectors, the former savings banks wide lead over the rest in terms of social impact after the financial crisis. These entities are highly controversial within the Spanish society, as many of them had to be bailed out by the government and were involved in the fraudulent sale of complex financial products that caused significant losses to millions of savers. In our sample 13 entities are the result of the merger of several savings banks and currently operate as commercial banks, so they are classified as companies of high social impact.

Table 2.4 shows the mean values regarding each of the previously detailed groups for the total number of tweets, CSR-related tweets, and the tweets that are issued by external and internal users. We have also run diverse t-tests in order to check if the differences of means are statistically significant.

**Table 2.4.** Determinants of CSR communication in Twitter. Mean values and t-tests of differences

Variable	Obs	Size			Listing status			High social impact subindustry		
		Smaller	Larger	Dif	Non-listed	Listed	Dif	No	Yes	Dif
(1) tw_total	41	1364.81	42983.2	**	3451.89	56794.57	**	14596.86	36893.31	
(2) core_csr	41	947.71	22210.6	*	1778.04	29721.93	**	4354.75	26321.62	*
(3) suppl_csr	41	87	2114.75	*	291.26	2589.86	**	970.68	1303.31	
(4) ext_total	41	366.14	6122.5	*	947.56	7468.21	*	1003.07	7850.23	*
(5) ext_core_csr	41	333.76	5958.55	*	864.29	7346	*	959.21	7640.15	*
(6) ext_suppl_csr	41	32.38	163.95	*	83.26	122.21		43.86	210.08	**
(7) int_total	41	41.48	1548.75	**	425.74	1453.64		417.82	1549.77	*
(8) int_core_csr	41	20.95	1220.05	**	351.22	1097		289.54	1287.23	*
(9) int_suppl_csr	41	20.52	328.7	*	74.52	356.64	*	128.29	262.54	

\* p <0.10; \*\* p <0.05

*Size:* The total assets figure of 20 (bigger) companies is over the median, 21 (smaller) companies are below the median. The median value is included within the smaller companies group.

*Listing status:* 14 listed firms, 27 non-listed firms.

*High social impact subindustry:* 13 firms formerly belonged to the extinct subindustry of savings banks, 15 firms are commercial banks which do not come from former savings banks, 10 firms are cooperative banks and 3 firms belong to the so-called 'ethical bank.'

The first finding that stands out is that in all cases the mean amount of tweets is higher for those entities with greater visibility, regardless of the criteria we use. The differences are significant for most variables, whether we consider the total number of tweets, as if we focus on CSR-related (either Core or Supplementary) tweets. When we look at the users' analysis, we can see how the three visibility variables coincide with significantly higher numbers of tweets from external users, indicating that this could also be a valid measure of visibility, and the same applies to internal users, suggesting that the more visible companies are, the more likely are to provide more information also on Twitter.

#### **4.4. Some further results**

Table 2.5 Panels A and B delve into the topics covered by Core and Supplementary CSR, and Table 2.5 Panel C provides wider information about the internal and external users. Thus, in Table 2.5 Panel A can be seen that those Core CSR-related issues that are more correlated with the overall generation of tweets are, in this order: (1) the creation of value for shareholders (*tw\_sh\_valuecreat*), which is explained because the analyzed period contains the year-end date and the publication of results, and listed companies have a significant weight in this sample; (2) commercial practices (*tw\_c\_i\_commpract*), and particularly those related to savings management (*tw\_c\_i\_savings*) due to the great amount of clients affected by the ‘preferred shares case’; and (3) regulatory breaches (*tw\_s\_normbreach*) related to accounting scandals and corruption cases, as mentioned in the case of BFA-Bankia.

On the other hand, the issues that generated less interest and, therefore, less information are, also in this order: (1) equality and diversity within the workforce (*tw\_e\_equality&div*), an aspect that, despite usually appearing in the sustainability reports, was not mentioned at all in this period; (2) financial inclusion (*tw\_s\_financialincl*), originally the *raison d’être* of Spanish savings banks. However, financial inclusion has a marginal role in the business activity of these banking institutions; and (3) Socially Responsible Investment (*tw\_s\_sri*), a type of financial products based on ESG (Environmental, Social and Governance) considerations that, as states the report ‘European SRI Study 2012’ by Eurosif (European Sustainable Investment Forum),<sup>31</sup> is less extended in Spain than average within the European Union, and has also been severely reduced due to the financial crisis.

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<sup>31</sup> Eurosif (2012). European SRI Study. Available in <<http://www.eurosif.org/publication/european-sri-study-2012/>>, accessed June 2015.



**Table 2.5.** Descriptive statistics and Pearson correlations with the total amount of tweets for variables that form Core CSR, Supplementary CSR, external and internal users

**Panel A.** Descriptive statistics and Pearson correlations with the total amount of tweets for variables that form Core CSR

Variable <sup>1</sup>	Mean	Std. Dev.	Min	Max	tw_total
(1) tw_total	315.4	1053.1	1	18084	1
(2) tw_sh_valuecreat	50.42	269.1	0	5345	0.72**
(3) tw_c_b_credit	4.29	35.1	0	1393	0.23**
(4) tw_c_i_savings	16.99	117.2	0	4017	0.54**
(5) tw_c_i_credit	11.17	70.3	0	1505	0.29**
(6) tw_c_i_commpact	34.34	155.9	0	4342	0.65**
(7) tw_e_employment	3.33	30.3	0	1189	0.12**
(8) tw_e_workingcond	7.37	53.8	0	1863	0.52**
(9) tw_e_equality&div	0	0	0	0	-
(10) tw_cg_managcomp	8.89	120.2	0	4051	0.24**
(11) tw_cg_transparency	4.37	72.3	0	3253	0.22**
(12) tw_s_financialincl	0.09	1.1	0	29	(0.01)
(13) tw_s_normbreach	51.59	383.7	0	10135	0.65**
(14) tw_s_sri	0.13	3.6	0	180	(0.01)

<sup>1</sup> Variables explanation can be seen in the Appendix 2.1; \*p <0.05; \*\*p <0.01

**Panel B.** Descriptive statistics and Pearson correlations with the total amount of tweets for variables that form Supplementary CSR

Variable <sup>1</sup>	Mean	Std. Dev.	Min	Max	tw_total
(1) tw_total	315.456	1053.129	1	18084	1
(2) tw_cultural	9.641	40.709	0	855	0.351**
(3) tw_environmental	1.301	10.688	0	281	0.338**
(4) tw_social	4.726	18.457	0	286	0.249**

<sup>1</sup> Variables explanation can be seen in the Appendix 2.1; \*p <0.05; \*\*p <0.01

**Panel C.** Descriptive statistics and Pearson correlations with the total amount of tweets for variables that form external and internal users

Variable <sup>1</sup>	Mean	Std. Dev.	Min	Max	tw_total
(1) tw_total	315.456	1053.129	1	18084	1
(2) tw_e_publicadm	0.707	8.621	0	390	0.078**
(3) tw_e_companies	1.594	18.739	0	625	0.525**
(4) tw_e_massmedia	23.946	139.205	0	2832	0.725**
(5) tw_e_ngos	0.054	0.667	0	23	0.012
(6) tw_e_civicasoc	6.501	49.202	0	1185	0.226**
(7) tw_e_unions	0.451	2.815	0	59	0.040*
(8) tw_e_indivusers	13.491	76.691	0	1563	0.675**
(9) tw_i_corporate	24.039	122.968	0	3674	0.656**
(10) tw_i_managers	0.176	3.37	0	175	(0.003)
(11) tw_i_employees	0.146	0.737	0	10	(0.039)*
(12) tw_advertising	2.779	22.037	0	432	0.192**

<sup>1</sup> Variables explanation can be seen in the Appendix 2.1; \*p <0.05; \*\*p <0.01

Regarding Supplementary CSR, a type of information mainly issued by the banking institutions themselves (see Table 2.3), Table 2.5 Panel B shows that cultural projects information keeps a higher correlation with the total number of tweets. This finding reinforces the argument pointed out by various authors (Valverde and Fernández, 1998; Núñez, 1998) about the higher visibility of these actions, which also represent less commitment for companies given the initial low investment and the minimum obligation to maintain current expenditures, and their use as marketing tools.

A deeper analysis of the external and internal users who issued the analyzed microblogs (see Table 2.5 Panel C) highlights three main actors in this communication environment: (1) mass media (*tw\_e\_massmedia*) and (2) individual Twitter users (*tw\_e\_indivusers*) as external users, and (3) corporate accounts (*tw\_i\_corporate*) as main internal users. This finding leads us to several conclusions: (a) firms are clearly interested in intervening in the communication that takes place in the environment of social networking tools; but (b) they fail in addressing those issues in which their

stakeholders are interested, a clear divergence as shown in Table 2.3; (c) there is an important connection between traditional mass media and new social media (Kaplan and Haenlein, 2010); however, (d) individual users have also a relevant presence in social networking tools making these new media more difficult to control by big companies (Mangold and Faulds, 2009) and also reducing information bias.

## **5. Discussion and Conclusions**

This study is a first approach to the research on CSR information through social media, with implications for practitioners, academia and society in general, given the exponential growth of the amount of social networking tools users in the last years. With the assistance of a software tool, we manually analyzed the content of all the microblogs on Twitter associated with companies representing virtually all the assets of the Spanish banking sector during 93 days. Based on the difference between Core and Supplementary CSR, our classification criteria gather those key issues considered by banking institutions within their sustainability reports. After the classification and analysis process, we reached six main conclusions. First, about half of the microblogs (47.2%) in the analyzed period are related to the impact of the banking activity on any of the key stakeholders of this industry, which present social media as a unique setting to analyse stakeholder engagement.

Second, Core CSR is the predominant CSR-related content in social media. However, internal accounts (corporate, managers and employees) make an important effort to enhance Supplementary CSR information, which does not translate into a higher interest about this content by external stakeholders, much more focused on Core CSR than internal users. This finding provides empirical evidence about several topics: (a) in contrast to traditional media, social networking tools are beyond the control of

companies, (b) corporations are able to keep internal accounts under control to implement a common discourse or, as Morsing (2006) stated, firms use CSR communication to influence the willingness of managers and employees to identify with their workplace, and (c) companies fail to adapt their communication strategies to their external stakeholders concerns.

Third, visibility proxies previously identified in the literature on legitimacy theory (firm size, listing status and impact on society), are associated with higher visibility also on Twitter, which we measure by the amount of tweets written or retweeted by external stakeholders. Additionally, they determine the total amount of content about CSR-related (either Core or Supplementary) information issued by internal users' Twitter accounts.

Fourth, there are several factors, such as equality and diversity in the workplace, financial inclusion and Socially Responsible Investing (SRI), which are recognized as key issues in the sustainability reports of banks, but barely mentioned in social media even by the banks themselves. This could be interpreted as the low real engagement with some aspects that firms present as important in their CSR reports.

Fifth, cultural projects are the main component of Supplementary CSR in this study. Since these types of activities have high visibility (Valverde and Fernandez, 1998; Núñez, 1998), this finding leads us to highlight their use as mere marketing tools instead of policies that pursue a positive impact on society.

Finally, we identify three main participants in the communication of CSR issues in social media: mass media, individual Twitter users and corporate accounts. This would imply that (a) companies are clearly interested in intervening in this type of communication, (b) a link does exist between traditional mass media and new social

media, and (c) individual users also have a relevant presence in the latter, making these new media more difficult to control by big companies and reducing biased information.

Naturally, this study presents some limitations. First, we have based our analysis on a single social networking tool and it could be argued that the behaviour and interests of users differ from a network to another. However, Twitter is the largest microblogging network in the world and is amongst the global social media with a highest number of users. Moreover, social networking tools are becoming more and more interconnected. They actually allow content sharing and Muralidharan et al. (2011) describe this link as statistically significant in the case of Twitter and Facebook. Thus, the conclusions drawn from this study could be extended to all social networking environments. On the other hand, Twitter systematically reflects the news published in mass media (Sprenger et al., 2014) and may also reflect social realities beyond the internet, as demonstrated by Tumasjan et al. (2010) in the case of political elections. It must be noted that this last paper was responded by Jungherr et al. (2012), which in turn was responded by Tumasjan et al. (2012).

Second, our study is limited to the banking industry in a single country. This setting allows a homogeneous analysis of CSR issues and we have justified the choice of this industry for its high impact on social media content. However, it would be interesting to extend the analysis to other industries and also other socio-economic contexts in order to form an overall picture of the relationships between firms and their stakeholders in the social media environment.

With these limitations in mind, this study provides several contributions. It addresses an emerging issue with broad implications for business practices, since companies are currently dealing with a new scenario to which they need to adapt their

communication strategies. It covers virtually a whole industry and all the tweets related to the activity of these firms for a period of 93 days, gathering about a million tweets. Therefore, the results accurately reflect the reality of this sector. Finally, the software-assisted manual coding of tweets has been replicated for two of the analyzed companies by outsiders to the project reaching a coincidence of more than 80%, which provides with reliability to our methodology and results.

All in all, this study addresses important questions that had not been previously addressed in the literature and reinforces some findings that had already been highlighted by other authors. Our research examines social media as a suitable environment for the study of CSR, given the large amount of content generated about diverse aspects of the relationship between firms and stakeholders. The main implication for the business practice is that we show that corporations are not exploiting the potential of social media as a key communication tool that allows permanent interaction with their stakeholders. On the contrary, companies are applying the traditional communication strategies to a field where the rules of the game have changed.

For further research, it would be interesting to incorporate sentiment analysis to our model in order to develop a social performance index for the same industry. This would allow examining the impact of this social performance measure on financial performance in an industry where Simpson and Kohers (2002) showed that there is a positive relationship between the two variables. It will also be interesting to extend the time period of analysis to determine whether there is stability with respect to the issues that generated more interest in social media, and whether CSR issues and user interests' patterns are repeated.

## **Chapter 3: “The Effects of Social Media Activism on Stock Markets”**

### **Abstract**

We study the consequences of external stakeholders’ activism within the thriving environment of social media. Building on King and Soule (2007) and based on social movement theory, this study assesses the influence of activism on the stock market performance of the targeted firms. In particular, we focus on information published on Twitter™ by two critical external stakeholders: consumer associations and trade unions. To the extent that social media represent a valid medium to mobilize stakeholders’ activism, protests on Twitter may damage firm reputation and legitimacy, leading to capital market reactions. Using a corpus of over 1.5 million tweets belonging to Spanish listed banking groups, we study the impact of activism by looking at targeted firms abnormal variations in price and trading volume. Our findings suggest that the activism of key stakeholders in Twitter has a significant impact on investors’ decisions. Further, our empirical analyses indicate that the mechanisms to affect investors’ behaviour differ depending on the characteristics of the external stakeholder group.

## 1. Introduction

Stakeholder theory, one of the founding frameworks of Corporate Social Responsibility (CSR), argues that the relationship between companies and stakeholders has important implications on corporate reputation and financial performance. These relationships concern not only the economic field, but also the political and social contexts. The demand for information about the social and environmental impact of companies led the European Parliament to issue in October 2014 the Directive 2014/95/EU on non-financial and diversity information.<sup>32</sup> One of the main objectives of this Directive is, literally, *“to meet the needs of investors and other stakeholders as well as the need to provide consumers with easy access to information on the impact of businesses on society.”*

As discussed in the second chapter of the thesis, social media have democratized the process of dialogue between companies and stakeholders (Jansen et al., 2009; Coombs, 1998). Internet allows companies to easily engage in a dialogue with all relevant stakeholders enhancing interactive communication (Unerman and Bennett, 2004). The novel role of social media, such as Twitter or Facebook, where one-to one and one-to-many conversations can be held, is particularly relevant in this regard (Qualman, 2010), specially because these Internet based channels are beyond the control of companies and traditional mass media. Relevant stakeholders may engage in dialogue about the company and with the company and share important information in a media characterised by almost immediate and world-wide diffusion, around the clock.

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<sup>32</sup> This Directive requires listed companies and companies with more than 500 employees to disclose information on policies, risks and outcomes associated with the company's social and environmental impact. It includes environmental matters, social and employee-related aspects, respect for human rights, anti-corruption and bribery issues, and diversity in the board of directors. Official Journal of the European Union. <<http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014L0095>>, accessed September 2015.



Indeed, a prominent aspect of social media is that stakeholders can initiate and discuss any issue of their interest. As we discuss briefly in the second chapter, social media has become a particularly important media to mobilize social activism. Indeed, prior research suggests that social activism is gaining strength and presence on the Internet (Yang, 2013; Kahn and Kellner, 2004). This is also corroborated by anecdotal evidence, such as, for example, the more than 100 million users in 196 countries of the petition website Change.org.<sup>33</sup> In this context, consumers and social activists have found a new voice in their interactions with companies where the dialogue with stakeholders becomes an essential strategy to ensure the financial stability of companies (Vasi and King, 2012; Ruf et al., 2001).

Despite this growing importance of social activism in social media, it is still not well understood to what extent movements started on social media can gain sufficient traction to reach the mainstream, or to influence corporations. Initial diffusion is fast and wide-reaching in social media, but its impact may not be long-lasting and diffusion may stall just as fast.<sup>34</sup> In this chapter, we study the mobilization of activism in social media and the diffusion and impact of protests started in Twitter. To do so, we build on social movement theory and the work of King and Soule (2007). Social movement theory mainly addresses *why* social movements emerge in specific contexts and *how* movements form and engage their supporters in collective action (Carroll and Hackett, 2006). Its main contribution to organizational studies has been to explain the origin of change in highly institutionalized settings.

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<sup>33</sup> Change.org is a web platform where users can start or support a petition. The aim is to create social pressure to change things. Change.org website <<http://www.change.org/about>>, accessed December 2015.

<sup>34</sup> As an example, an analysis of Twitter trends in the month of February 2016 reveals that the top 20 trends had started on average 60 days before (median of 25 days). Perhaps more importantly, even these top trends only stayed as such for an average of 35 minutes (median of 30 minutes) <<http://www.whatthetrend.com/>>, accessed February 2016.

Based on this social movement theory, King and Soule (2007) empirically analyse the influence that external stakeholders' protests can have on businesses. Specifically, they study the effect on the behaviour of investors using abnormal returns as indicators of the positive, neutral or negative market reaction. They conclude that protests have a greater impact when they involve critical stakeholder groups, such as labour and consumers, and when they generate greater media coverage.

In this chapter we advance their work by delving into the study of the relationship between companies and external stakeholders in the innovative context of activism in social media, and particularly Twitter. As mentioned above, social media shows a very significant presence of social activism groups organised through platforms, such as Change.org, to achieve a wider dissemination of their campaigns. Therefore, we consider this is an appropriate setting to advance the before-mentioned research and test the validity of its results. It is however unclear to what extent they are successful at shaking the status quo. Thus, social media is an interesting platform to study in the context of social movement theory.

While the relationship between social and financial performance has been analyzed by numerous authors over the last decades, multiple contradictions and weaknesses on this regard are highlighted in the literature (see e.g., Wood, 2010; Barnett and Salomon, 2006; Rowley and Berman, 2000; Griffin and Mahon, 1997). Notwithstanding this, there seems to be a certain consensus regarding the timeframe within which the effects of this relationship can be observed. Most authors agree that CSR policies and activities must be aimed at improving the relationship between companies and their key stakeholders, which in the long term may lead to a better corporate reputation, greater loyalty by consumers, better working environment or increased productivity by workers, amongst the intangibles that the consolidation of these policies might cause a

positive effect on the financial profitability of companies (Lai et al., 2010; Surroca et al., 2010). Several papers have studied the link between social and financial performance in the short term, trying to find a more immediate impact of CSR policies in the stock market performance of companies that carry them out, detecting no significant effects (Fernandez-Izquierdo et al., 2009; Brammer et al., 2006; Graves and Waddock, 1994; Buchholz and Alexander, 1978). However, a vast majority of this research is based on stakeholder theory, which, from our point of view, would justify long-term effects hardly observable for each specific CSR initiative. Therefore, following King and Soule (2007), we consider more appropriate the use of social movement theory as a theoretical framework to provide a robust analysis of the effect of social media activism on the stock market performance in a short-term horizon.

Hirschman (1970) analyzed the strategies through which external stakeholders can influence the decision making processes of companies. When stakeholders feel harmed by the practices of a company, they can basically resort to two strategies: “exit,” a reactive strategy which involves looking for alternatives as consumers of products or services, or “voice” a proactive strategy which aims at changing the behaviour of a firm by publicly reporting a situation that causes dissatisfaction or discomfort on critical stakeholders. However, when the group is very fragmented and stakeholders constitute an insignificant share of the firm’s base or of the consumers of a specific product, exit is ineffective and voice may become the only option for stakeholders that seek to influence on a given business practice. This idea links social movement theory with organizational studies, considering the expression of voice by external stakeholders as an engine of change in the business environment. There is a recent history of research on the contribution of social movement theory to explain changes in corporate behaviour. In essence these studies investigate the role of social activism in changing

business practices primarily related to the work setting (see e.g.: Manheim, 2001; Scully and Segal, 2002; Greven, 2003; Raeburn, 2004), and also to environmental issues (Lounsbury 2001, Lounsbury et al., 2003).

As highlighted by King and Soule (2007), the analysis of social activism in the business field has essentially focused on the study of the protests themselves rather than addressing their impact on the internal processes of companies. Therefore, the influence that external stakeholders may have in these processes when publicly voicing their messages and discontent requires further study and, following the line of research carried out by these authors, we contribute to this literature by analysing the influence of external stakeholders' activism on the stock market. To properly understand the impact of an event on the corporate stock market performance, in addition to the analysis of abnormal returns, the study of abnormal trading volume provides further insights on investors' reactions and expectations. External stakeholders can affect corporate decision-making process by influencing investor's expectations and behaviour.

The impact of boycotts on stock pricing has been previously studied in the literature. Pruitt and Friedman (1986) empirically showed that consumer boycotts negatively and significantly influence stock price. Furthermore, Pruitt et al. (1988) demonstrate that labour strikes and other union-sponsored events also cause a significant drop in stock prices, although price increases in the following weeks tend to offset that negative effect. Notwithstanding this, King and Soule (2007) point out that the impact on stock markets of other types of protests developed by external stakeholders remains unknown. According to these authors, social activism can be an effective driver of institutional change used by external stakeholders to influence business decisions, even when insiders oppose this change.

Interestingly, the above-mentioned hypotheses were formulated at a time when, while less than one decade has passed, the socio-economic context that surrounds this area of research was markedly different from today as a result of two critical events: (1) the global financial crisis of 2008, which has had a major impact on Southern European countries and in Spain resulted in a significant growth of social movement protests (Sampedro and Lobera, 2014), and (2) the development and consolidation of social networks as essential communication tools. Spanish versions of Facebook and Twitter were not available until 2007 and 2009 respectively, and became more broadly used since 2010. These novel communication channels have remarkably enhanced and transformed social movements (Anduiza et al., 2014). Therefore, we believe it is of interest to analyze the impacts of activism on social media in the current socio-economic context and study the role that social media can play as tools to channel and enhance external stakeholders' activism to influence those corporate behaviours that affect them.

## **2. Literature Review and Hypotheses Development**

### ***2.1. Social movements and corporations***

Social movements arise as collective expressions of complaint or proposals for solutions to a problem that affects a particular group (Tilly, 1978). These movements can target public institutions, political parties, religious organizations, educational institutions or private companies. Prior literature has traditionally focused on the study of social movements that affect political parties or public institutions (see e.g., Giugni et al, 1999; McAdam et al, 2001), being more recent the research of those which target private companies.

In recent years, a number of papers have demonstrated the direct influence of social movements on the behaviour of companies. Theoretical research, as Schneiberg and Lounsbury (2008) and Davis et al. (2005), highlights the important role that social movements play on institutional change processes in modern societies, and propose a framework for convergent research in the areas of organizational studies and social movements. Hiatt et al. (2009) identify a dual effect of social activism, which can seriously harm certain business models, but also provides new business opportunities. Weber et al. (2009) examine the impact of social activism in the pharmaceutical industry and find that social movements can determine internal decision-making processes, for example, limiting the corporate commitment to technological investment. McDonnell and King (2013) detect significant changes in the communication strategy of companies that are targeted for boycott by consumers. These authors find impression management in their corporate communication strategy, which is biased towards socially acceptable behaviours when firms are being targeted. Overall, the evidence in this literature strongly suggests that companies modify their behaviour when social activists target them. Briscoe and Safford (2008) show that social movements cause effects even beyond the targeted companies. When a company that has remained resilient to the changes advocated by activists yields to pressure, other companies that could be affected do the same.

Social movements thus seek to initiate changes in companies' decision-making from a status of outsiders, which does not allow them to do so through the ordinary institutionalized channels, usually reserved for insiders. Consequently, their strategy mainly relies on presenting themselves as alternative democratic organizations that express the point of view of a large part of society. A fundamental part of social movements are protests. They consist of diverse expressions of discontent or desire for

change which are made in a collective, organized and public way (King and Soule, 2007). To achieve their goals, protests must appeal an as-wide-as-possible audience, to put pressure on the firms' decision makers.

Corporations are institutions of public interest that may have a more or less significant social impact depending on their business activity, especially on their key external stakeholders. However, unlike governmental organizations, corporations are not directly responsible for the welfare of the entire society, and they focus on meeting the particular interests of their shareholders. That is why corporations rarely set up communication channels for external stakeholders to effectively give rise to their claims, so outsiders must turn to alternative protest measures via "exit" or "voice" strategies, as defined by Hirschman (1970).

Even when consumers decide to carry out the boycott on a company or product following an exit strategy, to make it more effective, this action must be accompanied by an expression of voice in order to make the company aware of the claim that motivates boycott. Therefore, public denounce is a necessary protest measure for external stakeholders to promote changes in business practices, as we noted in the introduction of this chapter, and social media meets the requirements to constitute an ideal channel for the expression of stakeholders' voice, since they facilitate the implementation of collective, organized and public protest actions.

## ***2.2. The role of social media in social activism***

The growing penetration of social media in all areas of life is emerging as a key factor in a complex socio-political and economic environment, particularly following the last global financial crisis and the subsequent European sovereign-debt crisis. As mentioned above, in a context of economic instability, political unrest and remarkable social

mobilization, social media constitutes a key instrument to disseminate information and channel, or even catalyze, many social claims of diverse movements. Several studies have examined the role of social media in processes of political upheaval, specially the Arab Spring (Youmans and York, 2012; Eltantawy and Wiest, 2011) and #Occupy movements (Juris, 2012). However, we still have little information about the role that social media plays on the relationship between companies and society, conceived as the stakeholders directly or indirectly affected by business activity as a whole.

We argue that social media represents a novel medium that channels, catalyzes and potentially gives rise to activism. In a world where corporations operate globally, social media offers a unique platform where fragmented international minorities can come together, mobilizing and giving them voice around the clock. Social media can enhance and diffuse protests that may have otherwise died out, without reaching its potential audiences. Indeed, we argue that social media protests fulfil the three requirements for social movements mentioned above (i.e., that they are collective, organized and public). We review these requirements with relation to social media in turn.

First, social media protests are (a) *collective*. Social movements need to involve a sufficient number of stakeholders. What this number is cannot easily be identified, as it will partly depend on how much media coverage they attract (Lipsky, 1968; Baron, 2005) as well as on how threatening the protest is (Earl et al., 2003). Social movements' protests by activist groups such as FEMEM would likely involve no more than 10 people at any given protest, however, they gather significant media coverage, meeting Lipsky (1968) requirements of being both 'perceived and projected.' Prior work by Earl et al. (2003, 2004) shows that larger protests have greater impacts, as they can grab the attention of authorities, the wider public and can, potentially, represent a greater disruption on their targets. The work of King and Soule (2007), for example, require the



protests to involve more than one person, being 90 people the average size of the protests that they study. Social media protests are considerably larger, as the degree of involvement is more limited and the possibility of remaining anonymous encourages the participation of more reticent individuals, turning it into a ground where protests can flourish, without need for clear leadership.

To illustrate the collective nature of protests in social media, on February 2016, out of the 200 most recent petitions on Change.org Spain, 45.5% reached more than a hundred supporters, and 11.5% had exceeded a thousand supporters.<sup>35</sup> On-line activism platforms serve other social networks, mainly Facebook and Twitter, to spread the campaigns. Albeit anecdotal, this information supports the remarkable mobilization power of social media and the collective nature of their protests.

A second key element is that protests should be (b) *organized*. Two aspects show the well-organized character of protest actions on social media: (1) In addition to Change.org, there are other popular platforms that facilitate the organization of on-line protest actions such as: Avaaz.org,<sup>36</sup> Oiga.me<sup>37</sup> or MoveOn.org.<sup>38</sup> All of these platforms allow the development of organized protests and their subsequent monitoring. (2) The organizations that allow the coordination of traditional protests, such as trade unions or consumer associations, are also present in social media.

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<sup>35</sup> Change.org is the largest on-line platform for social activism in the world, and Spain the country where it gets the greatest penetration rate. The 22% of internet users in Spain are also users of this platform. Change.org Spain press pack, July 2015:

<[https://change.app.box.com/DossierChangeorgSpain#/DossierChangeorgSpain/1/3933346747/32662565659/1?&\\_suid=145546932216206173770528020067](https://change.app.box.com/DossierChangeorgSpain#/DossierChangeorgSpain/1/3933346747/32662565659/1?&_suid=145546932216206173770528020067)>, accessed February 2016.

<sup>36</sup> Website of the on-line activism platform Avaaz.org Spain: <<http://www.avaaz.org/es/>>, accessed February 2016.

<sup>37</sup> Website of the on-line activism platform Oiga.me: <<https://oiga.me/>>, accessed February 2016.

<sup>38</sup> Website of the on-line activism platform MoveOn.org: <<http://front.moveon.org/>>, accessed February 2016.

Finally, protests need to be (c) *public*. The public nature of these protests is obvious by the socializing purpose of social media, especially Twitter. As we discussed in Chapter 2, microblogs on Twitter (i.e. tweets) are public by default.

### **2.3. Social media activism and stock markets**

Whilst the impacts of social media are still not well understood, recent evidence suggests their effects are economically significant and far-reaching. In Chapter 2 we have shown, as anecdotal evidence that on-line activism causes changes in corporate behaviour, the example of a campaign on Change.org in the United States that achieved the elimination of a bank fee that Bank of America had begun to apply. In Spain we have also indentified a number of cases of successful campaigns related to the banking sector achieving, for example, the elimination of bank fees,<sup>39</sup> the cancellation of mortgage debt,<sup>40</sup> the granting of social rent<sup>41</sup> or the suspension of evictions.<sup>42</sup>

This research specifically addresses the study of the effect of social media activism on investor's decision-making process, as an indirect way of pressure to bring about changes in corporate behaviour. The social networking environment also meets the two premises of King and Soule (2007) for activist groups' protests to negatively affect stock prices. Social media platforms have a large presence of activist groups that achieve rapid dissemination of their protests on the Internet, and thus we argue that they are able to involve the main stakeholders and get a significant mass media coverage. However, the influence of social activism on the Internet, and specifically in social

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<sup>39</sup> Successful campaign on Change.org against 'La Caixa' (Caixabank): <<https://www.change.org/p/la-caixa-eliminad-las-comisiones-por-utilizar-la-banca-por-internet>>, accessed February 2016.

<sup>40</sup> Successful campaign on Change.org against BBVA: <<https://www.change.org/p/bbva-condonadnos-la-deuda-que-mis-hermanos-y-yo-heredamos-cuando-nuestros-padres-fallecieron>>, accessed February 2016.

<sup>41</sup> Successful campaign on Change.org against 'La Caixa' (Caixabank): <<https://www.change.org/p/la-caixa-me-concedan-dación-en-pago-total-alquiler-social>>, accessed February 2016.

<sup>42</sup> Successful campaign on Change.org against Banco Popular: <<https://www.change.org/p/ayúdame-a-salvar-a-mi-familia-del-desahucio>>, accessed February 2016.

media, on investors' decisions and hence on the stock market performance has not been previously discussed in the literature.

Although the relevant literature on this regard is scarce, prior research has investigated the influence of social media on stock markets, although not in terms of on-line activism. For instance, Tumarkin and Whitelaw (2001) found, for companies belonging to the Internet service sector, a significant and positive relationship between Internet board message activity and abnormal stock returns and trading volume. Blankespoor et al. (2013) show that the use of Twitter by companies that are not highly visible to disseminate their news increases the liquidity of their securities. Wei et al. (2016) show that Twitter volume spikes are useful to assist stock options trading. In particular, their evidence shows that volatility increases before a Twitter volume spike and decreases after allowing the design of internet strategies.

Diverse authors find a correlation between collective sentiment on Twitter and several indicators in the securities markets suggesting that this microblogging network could be used to predict future movements in stock markets (Chen et al., 2013; Bollen et al., 2011; Zhang et al., 2011). According to Luo et al. (2013), the predictive value of social media is even faster than conventional on-line media.

#### **2.4. Hypotheses**

Following the above discussion, we expect that social mobilization protests on social media can be perceived by markets as damaging to target firm reputation and legitimacy, leading to capital markets reactions. In particular, we predict that (1) the intrinsic characteristics of the information, such as content and intensity and (2) the visibility of the information are important predictors of capital market reactions to social media protests. We formulate the following two hypotheses.

Hypothesis 1: *In a context of social mobilization, the information disseminated by external stakeholders on social media will provoke a negative reaction by investors in the target firm.*

Hypothesis 2: *In a context of social mobilization, the visibility of the information disseminated by external stakeholders on social media will provoke a negative reaction by investors in the target firm.*

Because we focus on the case of Twitter as a social media particularly relevant for social movement protests, we measure the intensity of the protest by the number of tweets, and the visibility by the number of followers potentially reached by those tweets.

To enrich our analysis, we also study some aspects of capital markets that were not considered by King and Soule (2007). Firstly, prior literature shows that investors' reaction to surprises is significantly stronger in bear markets than under bullish market conditions (Kurov, 2010; Chen, 2007). Hypotheses 3 and 4 test this finding in the context of social media information.

Hypothesis 3: *The information disseminated by external stakeholders on social media will provoke a greater negative reaction by investors on trading days with a bearish tendency than under bull market conditions.*

Hypothesis 4: *The visibility of the information disseminated by external stakeholders on social media will provoke a greater negative reaction by investors on trading days with a bearish tendency than under bull market conditions.*

Second, we study the effect of our explanatory variables on the trading volume. Higher trading volume is associated with a greater likelihood that demand originates

from informed rather than uninformed trade (Stickel and Verrecchia, 1994). Therefore, hypotheses 5 and 6 test whether social media activism has a smaller or greater effect on informed investors.

*Hypothesis 5: In a context of social mobilization, the information disseminated by external stakeholders on social media will increase the trading volume of the target firm's stocks.*

*Hypothesis 6: In a context of social mobilization, the visibility of the information disseminated by external stakeholders on social media will increase the trading volume of the target firm's stocks.*

### **3. Methodology**

#### ***3.1. Sample and data***

The sample includes the eight banking groups listed on the Spanish Stock Exchange: Bankia, Bankinter, BBVA, CaixaBank, Liberbank, Banco Popular, Banco Sabadell and Banco Santander. The period of analysis comprises of 187 days (from 14 November 2013 to 19 May 2014), of which 127 are trading days and 60 are weekends or holidays on which the capital market is closed. The sample is balanced in such way that each company has a full set of information for the 127-day period. As in prior literature about social media and stock markets (see e.g., Blankespoor et al., 2014), the low  $R^2$  values in the diverse regression results (see Tables 3.3 to 3.7) show that the explanatory power of the models is reduced, and thus no long-run estimates can be derived from them. During the period of analysis we collected 1,534,435 tweets through the four-phased procedure detailed in Chapter 2 Section 3.3, which is summarized below:

*Phase #1. Storage of information (tweets).* Tweets are stored in a database incorporating the following information: (a) search term, (b) identifier code of twitter user, (c) date and exact time of the tweet, (d) if applicable, link with a previous tweet (retweet or reply) and (e) post or tweet itself.

*Phase #2. Systematic extraction of tweets and corpus creation.* An on-line software transforms the files into a list of keywords sorted from highest to lowest frequency of use when mentioning each banking institution. The process of corpus creation is the same for keywords and hashtags (words preceded by the “#” symbol, which are labelled in this way to get more visibility). Twitter users are also sorted in a list from highest to lowest degree of participation.

*Phase #3. Content filtering.* Prior to the creation of the final corpus, a data cleaning process is performed to facilitate the subsequent manual coding.

*Phase #4. Manual classification.* This process consists of associating each keyword, hashtag and user to one of the criteria which reflect the issues that primarily affect the key stakeholders of the Spanish banking industry.

As a result of the gathering and coding process we obtain the following data for each firm and day: (1) total number of tweets; (2) total number of tweets that include a hashtag; (3) total number of tweets that include a link to a website; (4) total number of retweets; (5) sum of the number of followers of the Twitter accounts posting the before-mentioned tweets. This same information is specifically obtained for the two groups of key external stakeholders analyzed in this work: trade unions, and civic and consumer associations. We focus on these groups for two basic reasons: (1) according to King and Soule (2007) they are the outsiders that show stronger influence on corporations, and

(2) our fieldwork confirmed that they are also the most active in terms of social mobilization via Twitter. Some of the most frequent keywords (*eviction, abusive, giving in payment, affected, unions, strike, demonstration, activists, rally, protest, police, occupy*) and hashtags (*#stopevictions, #yeswecan, #outrage, #affectedpreferredshares, #floorclause, #noalere* -“no to redundancy dismissal procedure,” abbreviation in Spanish-, *#theywontmoveus*) used by these stakeholders in Twitter when posting about banks serve to illustrate the general tone of protest of their tweets.

Amongst civic and consumers associations, it is worth mentioning the significant mobilization power of the Platform for People Affected by Mortgages or PAH (Spanish: *Plataforma de Afectados por la Hipoteca*), a social movement which aim was to prevent the systematic eviction of debtors across Spain, the various platforms of retail customers affected by the preferred shares case and ADICAE, the main Spanish association specialised y financial issues. Regarding the trade unions, we find that the most active accounts in Twitter belong to the organizations with a larger number of members within the Spanish banking sector: COMFIA-CCOO, FeS-UGT and FESIBAC-CGT.

The stock market data on daily stock prices and trading volumes were obtained through the website of the Madrid Stock Exchange<sup>43</sup> and the relevant facts from the website of the Spanish Securities and Exchange Commission (CNMV).<sup>44</sup>

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<sup>43</sup> Official website of the Madrid Stock Exchange:  
<<http://www.bolsamadrid.es/ing/aspx/Portada/Portada.aspx>>.

<sup>44</sup> Official website of the Spanish Securities and Exchange Commission (CNMV):  
<<http://www.cnmv.es/portal/home.aspx?lang=en>>.

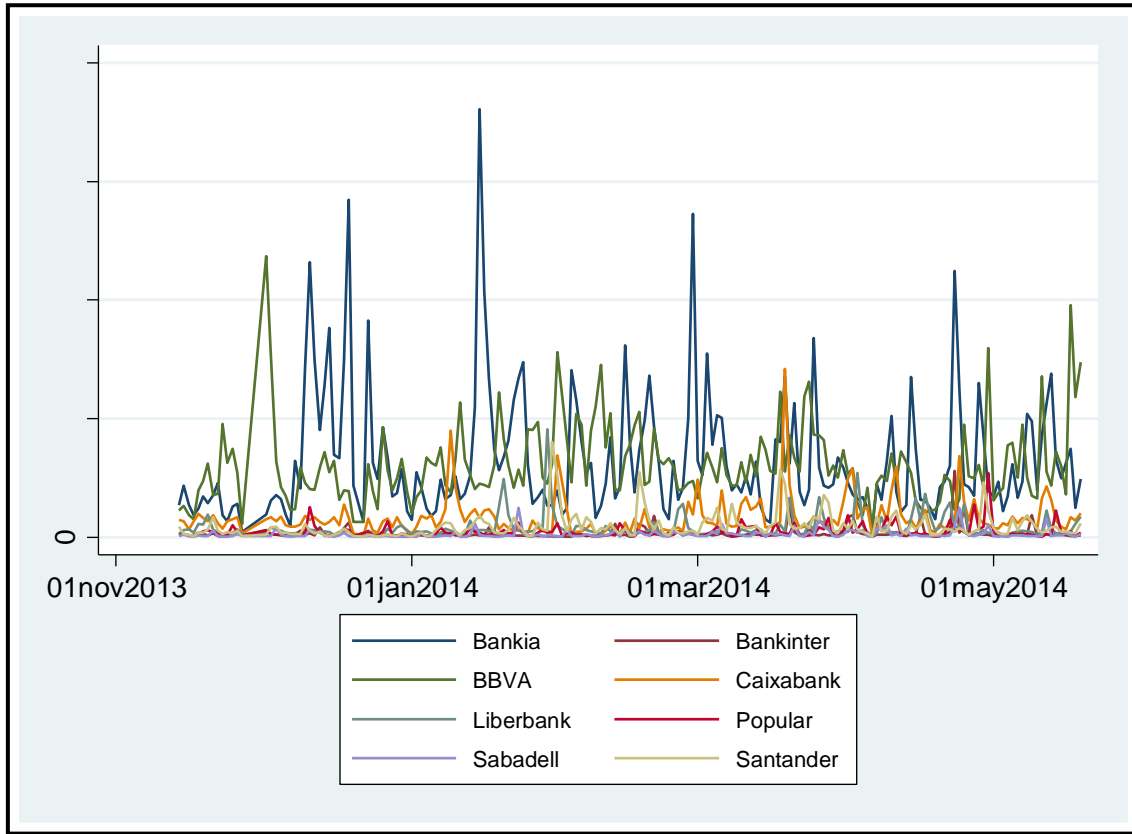
### **3.2. Analysis of abnormal returns**

Event study is the most common methodology used in accounting, finance and management literature to assess the effect of a particular event on stock price returns (Lyon et al., 1999; MacKinlay, 1997), and cumulative abnormal return (CAR), which is the sum of abnormal returns for a  $t$ -day period window around the event, the standard measure (see e.g., King and Soule, 2007; Klassen and McLaughlin, 1996; Agrawal et al., 1992). Notwithstanding this, and given the peculiarities of the novel setting where we develop our research, the social network Twitter, we adopt a different approach considering three fundamental aspects: (1) we study the effect of the information posted by external stakeholders on social networking site in the capital markets from a general perspective and not focusing on specific events, (2) as can be seen in Figure 3.1, the flow of information on Twitter is permanent and, although we observe remarkable peaks of information, it is virtually impossible to establish fixed dimension windows to delimit the impact each event, and (3) the enormous flow of new information enhanced by social networking sites makes hot topics relatively short lasting, taking only a few hours before being replaced by more recent ones.

Table 3.2 provides evidence of the significant correlation between shareholder-related information on Twitter and abnormal return and trading volume within the same day. This significance does not persist when we consider the information from the previous day. Given the specific characteristics of our setting, we develop our research through diverse panel data models and linear regressions based on daily observations.



**Figure 3.1.** Daily total number of tweets by firm



First, we calculate the daily abnormal return for each bank ( $i$ ) and trading day ( $t$ ) by applying the following formula:

$$\text{Abnormal return: } AR_{it} = R_{it} - (a_i + b_i R_{mt})$$

Where  $R_{it}$  is the rate of return for firm  $i$  on day  $t$ , and  $a_i$  and  $b_i$  are regression coefficients taken from the following expected return equation for all observations within the 127-trading day period of analysis:

$$R_{it} = \alpha_i + \beta_i R_{mt} + \varepsilon_{it}$$

In this last equation,  $R_{it}$  is the rate of return for firm  $i$  for day  $t$ , and  $R_{mt}$  is the rate of return of IBEX 35, the benchmark index in the Spanish Stock Exchange, for each trading day.  $\alpha_i$  is the rate of return for firm  $i$  when the rate of return of IBEX 35 is zero,

$\beta_i$  is the systemic risk of bank  $i$  (i.e., a measure of the volatility of bonds relative to the benchmark) and  $\varepsilon_{it}$  is the serially independent disturbance term whose expected value is zero,  $E(\varepsilon_{it}) = 0$ . Therefore,  $R_{it}$  can be interpreted as the expected return for firm  $i$  when the rate of return of the overall market portfolio is considered constant or, in other words, the part of the rate of return that cannot be explained by variations in the overall market portfolio.

Accordingly, abnormal return ( $AR_{it}$ ) is calculated as the difference between the actual return for firm  $i$  in a given trading session and the expected return for that session based on its correlation with the benchmark index IBEX 35. The difference between the actual and the expected rate of return reflects those factors which influence the stock price and cannot be explained by overall market fluctuations or by the normal behaviour of the stock. These abnormal variations should be due, to some extent, to exogenous market events such as the social media protests of external stakeholders discussed in this research.

After calculating the abnormal return, we secondly run diverse linear regression models with panel data, firm-fixed effects<sup>45</sup> and robust standard errors<sup>46</sup> in which the dependent variable is the abnormal return. As exogenous variables, we define different measures of activity on Twitter, and use specific variables related to the external stakeholders groups of interest: civic and consumer associations, and trade unions. Particularly, we analyze the influence of the total number of tweets about a particular

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<sup>45</sup> We control for idiosyncratic and unobservable factors that may simultaneously cause an abnormal return and a greater or smaller amount of tweets and followers. While our sample only comprises eight banks, there are remarkable differences between them in terms of size, financial performance, solvency, credit rating, exposure to mass media, etc. that cannot be controlled since they remain virtually stationary throughout the period of analysis. Therefore, we consider that the fixed effects model is an appropriate method to test our hypotheses. Moreover, due to the longitudinal nature of our data, given the small number of individuals, most of the variability occurs in the time domain, which also supports our choice.

<sup>46</sup> The modified Wald test for groupwise heteroskedasticity in fixed effect regression model detects heteroskedasticity in our model.

bank (*tweets*) and the amount of tweets posted by civic and consumer associations (*tw\_platasoc*) and by trade unions (*tw\_tradeunions*). These variables represent the impact of the information by itself and are used to test hypotheses 1, 3a and 4.

In these models we include two control variables: (1) *relev\_facts* is a dummy variable which equals 1 the day on which the Spanish Securities and Exchange Commission (CNMV) publishes any relevant fact related to the firm and zero otherwise, and (2) *tw\_shareinfo* reflects the number of tweets containing stock price information or analysts' recommendations. In this way, the effect of the strictly financial information will be separated from non-financial topics, such as those which are relevant for this research, and the results will be more reliable. More importantly, any potential endogeneity that might have been introduced in the model would be isolated in this control variable. Our main model is as follows.

$$AR_{it} = \alpha_{it} + \beta_1 \text{relev\_facts}_{it} + \beta_2 \text{tw\_shareinfo}_{it} + \beta_3 \text{tweets}_{it} + \varepsilon_{it}$$

Thirdly, we study the impact of the number of Twitter users who may potentially receive the tweets to which we referred in the previous analysis. This potential audience size consists of the sum of the number of followers of all the Twitter accounts posting those tweets. The visibility of microblogs in Twitter heavily relies on number of followers of the users involved in the conversation. Therefore, this is another variable of interest for our study which provides the information necessary to test hypotheses 2, 3b and 5. Similarly to the previous analysis, we study the total number of followers (*followers*), as well as the particular cases of the two types of external stakeholders that have a leading role in our research, civic and consumer associations (*followers\_plat*) and trade unions (*followers\_trad*). In this case, the expression of the different models is as follows:

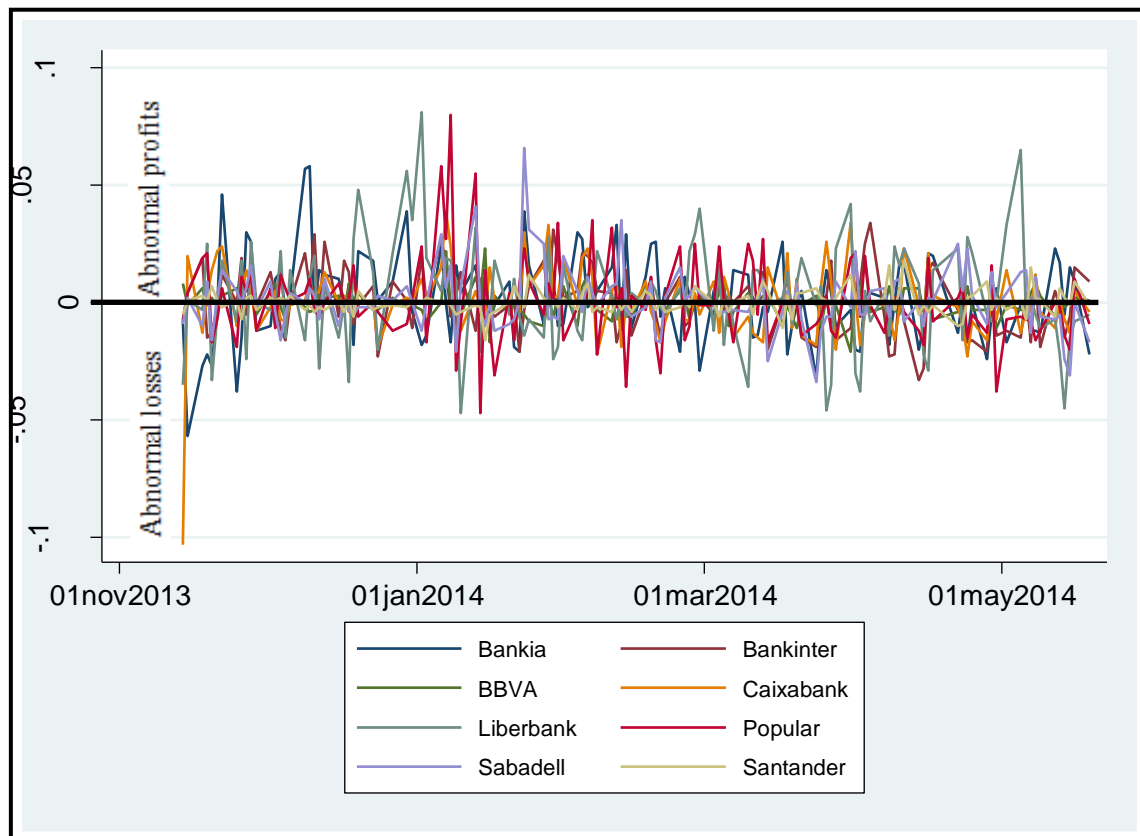
$$AR_{it} = \alpha_{it} + \beta_1 \text{relev\_facts}_{it} + \beta_2 \text{tw\_shareinfo}_{it} + \beta_3 \text{followers}_{it} + \varepsilon_{it}$$

We expect all the variables in the various models, both for tweets and for followers, to have positive and statistically significant coefficients, especially in the case of the variables related to the external stakeholders.

### 3.3. Analysis of abnormal losses and abnormal profits

As can be seen in the Figure 3.2, there are visible differences if we distinguish between positive and negative abnormal returns. Consequently, to deepen the understanding of the effects of social media activism on stock prices, we will separately study the impact that our variables of interest have on abnormal losses (AL) on the one hand and on abnormal profits (AP) on the other.

**Figure 3.2.** Daily abnormal positive and negative returns by firm



To do this, we run a logit model, also with panel data and firm-fixed effects, in which the dependent variable takes value 1 when we detect strictly negative (positive) abnormal return and zero otherwise. All the variables, except from the dummy *relev\_facts*, have been taken in logarithm for these models. The two models' equations are as follows.

Negative abnormal returns or abnormal losses:

$$AL_{it} = \alpha_{it} + \beta_1 \text{relev\_facts}_{it} + \beta_2 \log\_tw\_shareinfo_{it} + \beta_3 \log\_tweets_{it} (\log\_followers_{it}) + \varepsilon_{it}$$

Positive abnormal returns or abnormal profits:

$$AP_{it} = \alpha_{it} + \beta_1 \text{relev\_facts}_{it} + \beta_2 \log\_tw\_shareinfo_{it} + \beta_3 \log\_tweets_{it} (\log\_followers_{it}) + \varepsilon_{it}$$

In this case, we expect the variables linked to  $\beta_3$  coefficient to have a positive and significant effect for AL, and negative and significant influence on AP, which would mean that activism on social networks penalizes stock prices both increasing losses and reducing benefits. Furthermore, we expect the effect of social media activism to be more significant in a context of abnormal losses than in a context of abnormal profits.

### ***3.4. Analysis of abnormal trading volume***

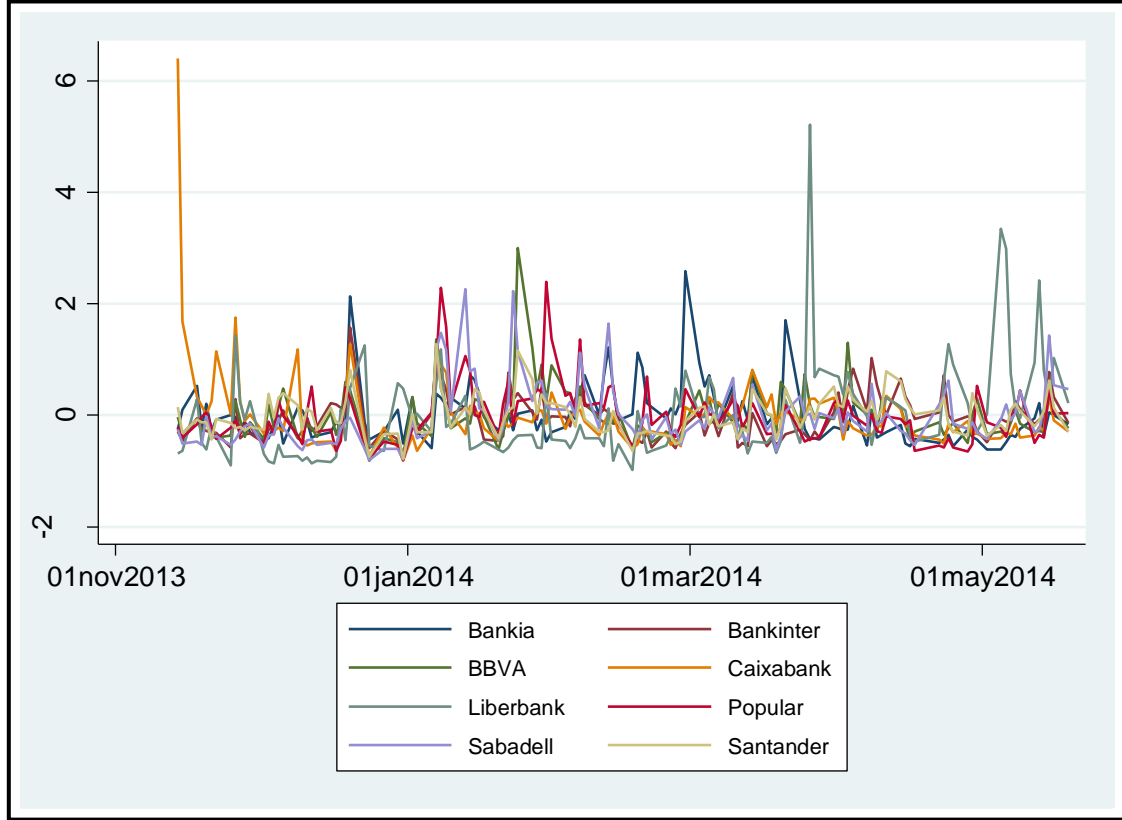
Finally, we analyze the impact of stakeholders' activism on the trading volume of each firm (i) and day (t). Similarly to Joseph et al. (2011), abnormal trading volume is calculated through the following expression:

$$\text{Abnormal volume: } AV_{it} = (V_{it} - V_{i,avg}) / V_{i,avg}$$

Where  $V_{it}$  is the trading volume of firm i on day t, and  $V_{i,avg}$  is the average trading volume for firm i over all the period of observation. Figure 3.3 shows the behaviour of this variable. A clear predominance of abnormally high trading volumes is observed.

The positive variations of trading volume are much more accentuated than the negative variations.

**Figure 3.3.** Daily abnormal trading volume by firm



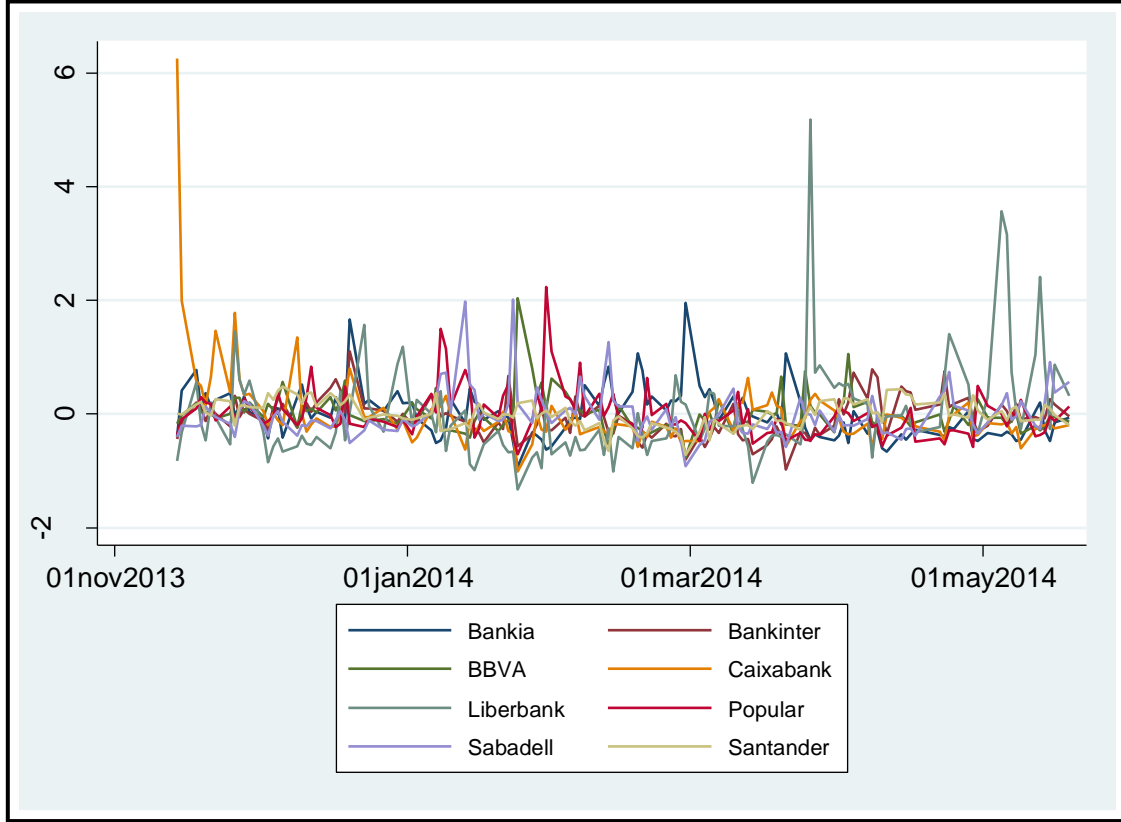
To complement the analysis, we calculated another expression of the abnormal trading volume which considers the abnormal trading volume of the overall market portfolio, represented by the benchmark index IBEX 35, as follows:

$$AV'_{it} = (V_{it} - V_{i,avg}/V_{i,avg}) - (V_{mt} - V_{m,avg}/V_{m,avg})$$

Where  $V_{mt}$  is the trading volume of the IBEX 35 overall portfolio on day  $t$ , and  $V_{m,avg}$  is the average trading volume of IBEX 35 portfolio throughout the period studied. This permit to refine the abnormal trading volume variable excluding the variations that

affect the overall market. Figure 3.4 shows the behaviour of this alternative variable, which slightly smoothes the fluctuations of the previous variable.

**Figure 3.4.** Daily abnormal trading volume by firm excluding the variation of IBEX 35



In the last stage, we replicate the linear regression models with panel data and firm-fixed effects previously ran for abnormal return, to study the impact of the same explanatory variables on trading volume. The only difference relies on the inclusion of an additional control variable,  $R_{it-1}$ , which is the rate of return for the stocks of firm  $i$  on the previous trading day, since prior literature finds a significant correlation between remarkable variations of the stock price and the trading volume in the following trading day (Gallant et al., 1992). The model is expressed as follows.

$$AV_{it} = \alpha_{it} + \beta_1 R_{it-1} + \beta_2 relev\_facts_{it} + \beta_3 tw\_shareinfo_{it} + \beta_4 tweets_{it}(followers_{it}) + \varepsilon_{it}$$

To confirm our hypotheses, all variables and specially those related to external shareholders, should be positive and statistically significant both for tweets and for followers.

## 4. Results

Table 3.1 shows the descriptive statistics and the description of the variables that we use in our analysis. As can be observed, the use of *hashtags* (words that are tagged with the symbol “#” for greater visibility in Twitter) is less common than the inclusion of *links* (to external websites to share a story or further information to overcome the limit of 140 characters per tweet) or the use of the *retweet* function (tweets originally posted by an user that are forwarded by another user, which does not necessarily mean endorsement). However, we also detect that external stakeholders, which represent a small number of the total tweets, use hashtags more than average. This can be interpreted as evidence for the tone of protest of their posts. It is also to note the number of followers of the civic and consumer associations’ Twitter accounts, with 11,495 followers per observation (firm and day) on average, well above the 463 followers on average that potentially can be reached by the trade unions’ accounts. Regarding the dependent variables, abnormal returns range from -10% to +8%, while abnormal trading volume variability is much higher, ranging from 133% to 626%. The mean value is zero for both variables.



**Table 3.1.** Descriptive statistics

Variable <sup>1</sup>	Obs <sup>2</sup>	Mean	Std. Dev.	Min	Max
1 ab_ret	1016	0.00	0.02	-0.10	0.08
2 ab_vol	1016	-0.01	0.51	-1.33	6.26
3 ab_ret_1	1016	0.00	0.02	-0.10	0.08
4 relev_facts	1016	0.20	0.40	0	1
5 tw_shareinfo	1438	135.21	418.83	0	5348
6 tw_shareinfo-1	1437	135.30	418.96	0	5348
7 tweets	1438	1067.80	1721.73	2	18057
8 tw_platasoc	1438	3.37	12.35	0	301
9 tw_tradeunions	1438	0.40	1.43	0	19
10 twwhashtag	1438	271.96	477.13	0	8077
11 twwhastag_plat	1438	2.05	7.10	0	121
12 twwhastag_trad	1438	0.01	0.15	0	3
13 twwlink	1438	659.71	1055.94	0	9582
14 twwlink_plat	1438	2.51	10.15	0	301
15 twwlink_trad	1438	0.38	1.40	0	19
16 retw	1438	657.89	1449.99	0	18057
17 retw_plat	1438	3.90	24.35	0	489
18 retw_trad	1438	5.51	42.60	0	935
19 followers	1438	2236802	3548712	0	33300000
20 followers_plat	1347	11495.55	35290.76	0	383543
21 followers_trad	1347	463.72	1420.63	0	10361

**<sup>1</sup> Variables description:**

*ab\_ret*: Abnormal return of firm *i* on the day *t*

*ab\_vol*: Abnormal trading volume of firm *i* on the day *t*

*ab\_ret*: Abnormal return of firm *i* on the day *t*-1

*relev\_facts*: Dummy variable that equals 1 if CNMV (Spanish Securities and Exchange Commission) issues any relevant fact for firm *i* on the day *t* and 0 if otherwise

*tw\_shareinfo*: Number of tweets related to the shareholders of firm *i* on the day *t*

*tw\_shareinfo-1*: Number of tweets related to the shareholders of firm *i* on the day *t*-1

*tweets*: Total amount of tweets issued about the firm *i* on the day *t*

*tw\_platasoc*: Total amount of tweets issued by civic platforms and consumers' associations about the firm *i* on the day *t*

*tw\_tradeunions*: Total amount of tweets issued by trade unions about the firm *i* on the day *t*

*twwhashtag*: Total amount of tweets including a hashtag issued about the firm *i* on the day *t*

*twwhashtag\_plat*: Total amount of tweets including a hashtag issued by civic platforms and consumers' associations about the firm *i* on the day *t*

*twwhashtag\_trad*: Total amount of tweets including a hashtag issued by trade unions about the firm *i* on the day *t*

*twwlink*: Total amount of tweets including a link issued about the firm *i* on the day *t*

*twwlink\_plat*: Total amount of tweets including a link issued by civic platforms and consumers' associations about the firm *i* on the day *t*

*twwlink\_trad*: Total amount of tweets including a link issued by trade unions about the firm *i* on the day *t*

*retw*: Total amount of retweets about the firm *i* on the day *t*

*retw\_plat*: Total amount of retweets of the microblogs issued by civic platforms and consumers' associations about the firm *i* on the day *t*

*retw\_trad*: Total amount of retweets of the microblogs issued by trade unions about the firm *i* on the day *t*

*followers*: Sum of the number of followers of the Twitter accounts that issued tweets about the firm *i* on the day *t*

*followers\_plat*: Sum of the number of followers of the civic platforms and consumers' associations Twitter accounts that issued tweets about the firm *i* on the day *t*

*followers\_trad*: Sum of the number of followers of the trade unions Twitter accounts that issued tweets about the firm *i* on the day *t*

**<sup>2</sup> Observations:**

The data collection system failed 7 days within the 187-day period analyzed. Additional errors occurred in the collection external stakeholders' tweets of Bankinter, which explains the difference in the number of observations.

Table 3.2. Pearson correlation matrix

Variable	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
1 ab_ret	1.0																				
2 ab_vol	.01	1.0																			
3 ab_ret_1	.05	.07**	1.0																		
4 relev_facts	-.02	.13**	.00	1.0																	
5 tw_shareinfo	.06**	.12**	.10**	.20**	1.0																
6 tw_shareinfo_1	.02	.04	.10**	.01	.46**	1.0															
7 tweets	.00	.06*	.05	.05	.62**	.40**	1.0														
8 tw_platasoc	-.03	.02	-.01	.03	.06**	.00	.21**	1.0													
9 tw_tradeunions	.00	.05	-.02	-.01	-.03	-.05*	-.08**	-.02	1.0												
10 twwhashtag	-.01	.06*	.03	.04	.49**	.34**	.90**	.29**	-.08**	1.0											
11 twwhashtag_plat	-.03	.03	.01	.04	.05*	-.02	.17**	.72**	-.02	.29**	1.0										
12 twwhashtag_trad	.01	-.02	-.02	-.03	-.02	-.01	-.03**	-.03	.13**	-.03	-.03	1.0									
13 twwlink	-.02	.07**	.04	.07**	.61**	.38**	.96**	.23**	-.06**	.85**	.19**	-.03	1.0								
14 twwlink_plat	-.04	-.01	-.02	.02	.03	.00	.13**	.93**	-.02	.18**	.52**	-.02	.16**	1.0							
15 twwlink_trad	-.01	.05	-.02	-.01	-.03	-.05*	-.08**	-.02	.99**	-.07**	-.01	.11**	-.06**	-.02	1.0						
16 retw	.06*	.03	.10**	.00	.59**	.43**	.82**	.02	-.06**	.69**	.01	-.04	.74**	-.04	-.06**	1.0					
17 retw_plat	.02	.03	.07**	.02	.04	-.01	.16**	.36**	.01	.19**	.30**	-.02	.16**	.26**	.01	.09**	1.0				
18 retw_trad	.00	-.03	.02	-.02	.00	-.01	.18**	.05*	.02	.14**	.03	-.01	.13**	.02	.03	.12**	.43**	1.0			
19 followers	-.02	.07**	.01	.07**	.52**	.30**	.87**	.23**	-.08**	.79**	.19**	-.04	.89**	.13**	-.08**	.66**	.12**	.06**	1.0		
20 followers_plat	-.08**	-.03	.01	.02	.16**	.07**	.41**	.45**	.01	.44**	.50**	-.03	.45**	.29**	.00	.16**	.23**	.06**	.44**	1.0	
21 followers_trad	.03	.01	-.03	.00	.00	-.04	-.08**	-.02	.74**	-.07**	-.01	.18**	-.06**	-.03	.73**	-.07**	.07**	.02	-.08**	-.02	1.0

\*p &lt; 0.1; \*\*p &lt; 0.05; two tailed tests

The correlation matrix in Table 3.2 indicates two aspects of special interest for our research: (1) the effect on the stock price of the information published on Twitter occurs on the same day, as interpreted from the correlation coefficient of the variable *tw\_shareinfo*, which is statistically significant for both AR and AV. This effect does not hold for the lagged variable *tw\_shareinfo-1*, and (2) Using the r-to-z Fisher transformation, we do not find any statistically significant difference between the correlation coefficients with the explanatory variables that incorporate additional communication options in Twitter – *retweets*, *hashtags* and *links* – theoretically used to increase the impact of communication, and with the simple tweets. Consequently, as these variables do not add to the effect shown by the number of tweets, we do not include them in our analyses.

Turning to the results of the linear regression models in Table 3.3, we observe a negative and statistically significant effect on stock prices for total number of tweets (at the  $p < 0.05$  level) and the overall amount of followers who can potentially be reached by those tweets (at the  $p < 0.01$  level). These findings support the statement and anecdotal evidence provided in Chapter 2 about the general negative bias that is characteristic of Twitter information related to controversial business sectors, such as the Spanish banking industry studied in this research. Our findings provide evidence of a significant negative influence of this adverse information on investors' decisions.

When we focus on external stakeholders, we find two statistically significant effects: the number of tweets published by trade unions, at the  $p < 0.01$  level and with a negative sign, and the sum of followers of civic and consumer associations, at the  $p < 0.05$  level and also with a negative impact. These associations' accounts have a remarkable number of followers in Twitter and thus their posts are likely to achieve great visibility. Since their tweets by themselves do not show a significant influence on

investors' behaviour, we interpret these results as the negative impact on the stock price more likely comes from their power to disseminate information rather than from the content and intensity of that information. The opposite happens with trade unions. These organizations have a long tradition in the Spanish industry and have historically demonstrated an important power of social mobilization. Consequently, despite having a reduced dissemination in social media, their posts have a significant effect on investors' decisions. These results support hypothesis 1 in the case of trade unions and hypothesis 2 for civic and consumer associations.

**Table 3.3.** Fixed effects regression of abnormal returns, with robust standard errors

Variable	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Constant	.13807 *** (.0303)	.07557 *** (.01488)	.08463 *** (.0118)	.15022 *** (.02749)	.11510 *** (.02306)	.08008 *** (.01528)
relev_facts	-.15067 * (.075)	-.13568 * (.07075)	-.13907 * (.07293)	-.12897 * (.06869)	-.08038 (.08772)	-.08702 (.08878)
tw_shareinfo	.00040 ** (.00015)	.00025 ** (.00010)	.00026 ** (.00010)	.00039 ** (.00012)	-.00001 (.00016)	-.00002 (.00016)
tweets	-.00008 ** (.00003)					
tw_platasoc		-.00319 (.0021)				
tw_tradeunions			-.05036 *** (.01117)			
followers				-.00000005 *** (.00000001)		
followers_plat					-.000003 ** (.000001)	
followers_trad						-.00001 (.00002)
R-squared						
Within	.009	.006	.007	.01	.006	.0007
Between	.11	.07	.10	.24	.48	.24
Overall	.009	.006	.004	.01	.007	.0002
Observations	992	992	992	992	929	929

\*p < 0.1; \*\*p < 0.05; \*\*\*p < 0.01; two tailed tests.

Robust standard errors, obtained by clustering firm observations, are reported under each coefficient in parentheses.

Tables 3.4 and 3.5 extend the examination of abnormal returns to the analysis of negative abnormal returns (or abnormal losses), and positive abnormal returns (or abnormal profits), separately. For abnormal losses, Table 3.4 shows that the variables related to the followers of civic and consumer associations (*log\_followers\_plat*) and tweets published by trade unions (*log\_tw\_tradeunions*) retain their negative and significant effect on stock price at the  $p < 0.05$  and  $p < 0.1$  level, respectively.

**Table 3.4.** Logit fixed effects regression of abnormal negative returns or abnormal losses

Variable	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
relev_facts	.12063 (.17289)	-.23613 (.26540)	-.12207 (.58084)	.12150 (.17284)	-.28420 (.26691)	-.15167 (.56523)
log_tw_shareinfo	-.05009 (.04892)	.04459 (.06700)	.03624 (.12537)	-.04708 (.04755)	.05269 (.06757)	.05751 (.12921)
log_tweets	.11536 (.10047)					
log_tw_platasoc		-.05211 (.09320)				
log_tw_tradeunions			.66931 * (.35720)			
log_followers				.09519 (.08035)		
log_followers_plat					.14025 ** (.06945)	
log_followers_trad						-.15970 (.98080)
Log likelihood	-630.56	-262.76	-61.26	-630.52	-260.84	-63.10
Observations	946	405	103	946	405	103

\* $p < 0.1$ ; \*\* $p < 0.05$ ; \*\*\* $p < 0.01$ ; two tailed tests.  
Standard errors are reported under each coefficient in parentheses.

Table 3.5 replicates the analysis for positive abnormal returns, yielding different outcomes. The significant effect of trade unions' tweets (*log\_tw\_tradeunions*) disappears, and the negative influence of the visibility of civic and consumer associations in Twitter (*log\_followers\_plat*) reduces its significance to the  $p < 0.1$ . All in

all, these findings support hypotheses 3 and 4. We can conclude that the negative impact of external stakeholders' activism in social media intensifies on trading days with a bearish tendency and tones down under bull market conditions.

**Table 3.5.** Logit fixed effects regression of abnormal positive returns or abnormal profits

Variable	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
relev_facts	-.07626 (.17295)	.24185 (.26681)	.20007 (.56952)	-.07237 (.17293)	.27059 (.26793)	.21377 (.56267)
log_tw_shareinfo	.04676 (.04886)	-.05711 (.06760)	-.03128 (.12266)	.05417 (.04751)	-.06535 (.06815)	-.04381 (.12852)
log_tweets	-.03541 (.10016)					
log_tw_platasoc		-.00952 (.09418)				
log_tw_tradeunions			-.44894 (.34384)			
log_followers				-.06424 (.08014)		
log_followers_plat					-.11927 * (.06917)	
log_followers_trad						.04741 (.94449)
Log likelihood	-632.32	-259.47	-63.23	-632.06	-257.97	-64.10
Observations	946	405	103	946	405	103

\*p < 0.1; \*\*p < 0.05; \*\*\*p < 0.01; two tailed tests.  
Standard errors are reported under each coefficient in parentheses.

Finally, Tables 3.6 and 3.7 show the influence of our explanatory variables on daily trading volume of the banks analysed. In Table 3.6, the dependent variable “abnormal trading volume” (AV) is calculated as the difference between the trading volume on day  $t$  and the average trading volume throughout the whole period of analysis.

**Table 3.6.** Fixed effects regression of abnormal trading volume, with robust standard errors

Variable	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Constant	-.07446 *** (.01463)	-.07131 *** (.01826)	-.07476 *** (.02004)	-.08316 *** (.01633)	-.06250 ** (.02182)	-.07254 *** (.02070)
ab_ret-1	4.1898 ** (1.7844)	4.1947 ** (1.7820)	4.2618 ** (1.8123)	4.2355 ** (1.7642)	5.2016 ** (1.7109)	5.1695 ** (1.7221)
relev_facts	.17273 * (.076879)	.17010 * (.07714)	.17135 * (.07686)	.16960 * (.07716)	.13601 (.08455)	.13429 (.08479)
tw_shareinfo	.00011 * (.000062)	.00013 ** (.00004)	.00013 ** (.00004)	.00010 * (.00005)	.00029 ** (.00011)	.00029 ** (.00011)
tweets	.000001 (.00001)					
tw_platasoc		.00113 (.00114)				
tw_tradeunions			.01843 *** (.00484)			
followers				.000000008 * (.000000004)		
followers_plat					-.000001 (.000001)	
followers_trad						-.000001 (.000004)
R-squared						
Within	.06	.05	.05	.05	.06	.06
Between	.19	.21	.20	.23	.05	.06
Overall	.04	.05	.05	.04	.06	.06
Observations	991	991	991	991	929	929

\*p < 0.1; \*\*p < 0.05; \*\*\*p < 0.01; two tailed tests.

Robust standard errors, obtained by clustering firm observations, are reported under each coefficient in parentheses.

Aimed at minimising the influence of the issues that affect the trading volume in the overall market, Table 3.7 provides the results recalculating the variable “abnormal trading volume” (AV’), by excluding the abnormal variations in the trading volume of the benchmark index IBEX 35.

**Table 3.7.** Fixed effects regression of firms' abnormal trading volume minus IBEX 35 abnormal trading volume, with robust standard errors

Variable	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Constant	-.05756 *** (.01544)	-.05931 ** (.01931)	-.06871 ** (.02233)	-.06272 *** (.01560)	-.05307 ** (.01928)	-.06333 ** (.02323)
ab_ret-1	1.9518 (1.7138)	1.9569 (1.7105)	2.0651 (1.8066)	1.9698 (1.7043)	2.6203 (1.8792)	2.5682 (1.8783)
relev_facts	.13287 (.07374)	.13191 (.07361)	.13237 (.07348)	.13201 (.07442)	.10974 (.07691)	.10791 (.07707)
tw_shareinfo	.00011 * (.00005)	.00011 ** (.00004)	.00011 ** (.00004)	.00009 * (.00005)	.00023 * (.00011)	.00023 * (.00011)
tweets	.000001 (.00001)					
tw_platasoc		.00063 (0.00103)				
tw_tradeunions			.02717 ** (.01163)			
followers				.000000003 (.000000005)		
followers_plat					-.000001 (.000001)	
followers_trad						-.000001 (.000007)
R-squared						
Within	.03	.03	.03	.03	.04	.04
Between	.18	.21	.14	.23	.06	.07
Overall	.03	.03	.03	.03	.04	.04
Observations	991	991	991	991	929	929

\*p < 0.1; \*\*p < 0.05; \*\*\*p < 0.01; two tailed tests.  
Robust standard errors, obtained by clustering firm observations, are reported under each coefficient in parentheses.

The results in both tables highlight the influence of the number of tweets published by trade unions (*tw\_tradeunions*), which significantly increases the trading volume of the affected firms the day on which these external stakeholders publish their microblogs. This finding supports the impact of trade unions' activism in social media on the decisions of investors, especially amongst informed investors. In this case, the social media visibility achieved by civic and consumer associations through their followers (*followers\_plat*) has no significant effect on the trading volume, in contrast to what happened with their significant influence on stock prices. This finding could be



interpreted as a lower influence of civic and consumer associations on the informed investors than on the uninformed.

## **5. Discussion and Conclusions**

Building on the research of King and Soule (2007), this study is, to our knowledge, the first attempt to assess the influence of external stakeholders' activism on the stock performance of the targeted firms in the thriving environment of social media, which are radically changing the way that companies engage their stakeholders (Qualman, 2010). We analyse abnormal variations in the price and the trading volume of eight Spanish listed banking groups during 127 trading days. Our findings demonstrate that the activity of critical external stakeholders, such as consumer associations and trade unions, in Twitter has a significant impact on investors' decisions. Our empirical analyses show that the mechanisms that affect investors' behaviour differ depending on the characteristics of the external stakeholder group.

We identify a significant impact of tweets published by trade unions both on stock price and trading volume. This information negatively affects the stock price of the affected firms. The stock market reaction is more significant on trading days with a bearish tendency than under bull market conditions. This Twitter activism also produces significant increases on trading volume, a fact that reinforces the importance of this information on the expectations of informed investors. In contrast, the number of followers of trade unions' Twitter accounts (the amount of Twitter users potentially reached by their posts), does not significantly affect stock prices or trading volume. We interpret these results to mean that what is of real interest for investors is the

information published by trade unions in itself, rather than its on-line visibility. Trade unions are well established in the Spanish socio-economic landscape, where they have historically shown a strong and effective mobilising power through strikes, protests and boycotts. Given their relevant role in the Spanish society, investors react to their tweets despite being organizations with a relatively small number of followers, and therefore with reduced visibility in Twitter.

The mechanisms of influence of civic and consumer associations work the opposite way. These organizations, who are very active in Twitter and have a large number of followers, indirectly affect investors' decisions through their visibility and influence in social media rather than through the content or intensity of their posts. In Spain, civic and consumer associations do not have as long history nor a large number of members like trade unions do. Their tweets by themselves have less impact on investors. Notwithstanding this, their posts are widely distributed in Twitter and, therefore, they can become "*trending topics*" (a ranked list with the most popular and talked-about topics within a relatively narrow time frame) at a regional or even at a country level. Consequently, Twitter users, despite of whether they follow or not these organizations, can easily read their tweets. More interestingly, we observe that it is precisely when information published by these external stakeholders reaches a large number of Twitter users that we detect a significant and negative influence on stock prices, both under bearish and bullish market conditions. The effect on trading volume is not significant, which could mean that the influence of civic and consumer associations is lower on informed than on uninformed investors. This is an issue that needs further investigation.

Our findings reinforce the role that social media plays in the relationship between companies and their external stakeholders, providing evidence that it is an issue that can have financial impact even in the short run. Our conclusions may have implications for

the extensive body of literature that addresses the relationship between social and financial performance, as well as studies on CSR, organizational theory and social movements. This work opens up an exciting avenue of study about the use of these new communication vehicles that can be used by external stakeholders or organizational outsiders to influence companies' decision making processes. Social media is accessible to any Internet user, allowing a wide dissemination of information beyond the control of companies and traditional mass media. Therefore, these versatile communication tools meet all the main features to be used by external stakeholders to bring about changes in the business behaviour of the targeted firms.

This study has a number of limitations that should be highlighted. First, we examine the effects of social media activism on stock markets in the Spanish banking sector which is comprised by eight listed firms. Secondly, we have analyzed a single social network, Twitter. However, as we pointed out in Chapter 2, prior research detects an intense interconnection between the major social networking sites (Muralidharan et al., 2011), implying that the conclusions of this research could be extended to other popular social networks like Facebook. Finally, the pressure on corporations through social media by external stakeholders can sometimes be part of a more comprehensive strategy including diverse social protest actions and it is difficult to isolate the effect of each specific action.

The conclusions of our research may be of interest to corporate decision makers who, once aware of the impact of external stakeholders' activism through social media, can re-adapt their on-line and social communication policies to the demands of its critical stakeholders and, therefore, mitigate the negative stock market effect of their protests. Social movements can also use our findings to plan their protests through social networking sites for greater influence on business decisions. Social media

activism usually targets firms' decision makers; however, as derived from our results, they can also influence investors and shareholders, which opens another channel through which they can put pressure on the companies to accept the proposed changes.

Future researchers examining external stakeholders' influence through social media may expand on the findings of this paper focusing on the study of the long-term effects in the financial performance of targeted companies, by analysing how social media activism could affect their sales and profitability. Future research might also investigate the relationship between on-line and off-line activism to separate the effect of each domain and explore the plausible synergies between them.

## **Concluding Remarks**

The case of Spanish savings banks illustrates in Chapter 1, “*The Illusion of CSR: Drawing the Line between Core and Supplementary CSR*”, the complexity of the concept CSR, which includes different dimensions and relationships between them. In this chapter we focus on the relationship between ethical and philanthropic responsibilities, and especially we highlight the ‘*Illusion of CSR*’, a paradoxical corporate behaviour that may lead to a false appearance of social responsibility bringing confusion to the understanding of CSR. Our reflection emphasizes the importance of a meticulous examination of the ‘social performance’ construct before studying its relationship with financial performance. This prior step needs a thorough knowledge of the business reality that begins with an assessment of ethical responsibilities. If ethical considerations are detected within business strategy, it will produce a positive impact on stakeholders, or at least will minimize the negative. On the contrary, a weak ethical performance in the decision-making process will lead to a negative impact. CSR diagnosis is then completed with the analysis of philanthropic responsibilities, which can supplement sufficient social performance related to the core business, but also could mask poor performance.

This study has implications for literature on CSR, specially the research on the CSR-FP relationship. We highlight the importance of seeking global measures that cannot be misleading as a result of the relationship between the components of CSR. Otherwise, the social performance evaluation may be affected by an ‘*Illusion of CSR*’, leading to invalid conclusions on the aforementioned relationship. This risk mainly affects those studies whose social performance measure is based on charity or philanthropic activities, since most of the time they are disconnected from the core business. These activities enjoy great visibility and in some cases, such as Spanish

savings banks, they can become a thick screen that hides serious deficiencies in key aspects of social performance. Our theoretical distinction may thus be useful for empirical research in CSR, to clarify what types of CSR policies should be associated with which outcomes.

The weaknesses in the framework also affect business practices, where multiple and striking paradoxes complicate the implementation of consistent CSR practices. In this regard, Hahn and Scheermesser (2006) and Owen and Swift (2001) highlight the substantial differences that are covered behind the corporate rhetoric of a high commitment to sustainability. Milne and Gray (2013) also criticise the lack of influence that the adoption of CSR processes and (change-but-no-change) rhetoric is having on business behaviour. Indeed, a certain level of scepticism often surrounds CSR, which has been contested in the literature and the financial press, since it disengages from the traditional view of a company as an entity focused on maximising profits for its owners (Friedman, 1970).

We find two implications for management. First, we identify and explain a misleading type of CSR that can be deliberately or unconsciously implemented by managers. This type of CSR eclipses, even in the eye of the management, some conflicts with stakeholders that could endanger the survival of the company, as we have seen with the paradigmatic example of Spanish savings banks. Second, we provide managers with a diagnostic tool that allows them to determine whether their CSR policies are affected by an '*Illusion of CSR*'. The explanation of this paradox could serve to reduce the hypocrisy and scepticism that sometimes surround the field of CSR (Lim and Tsutsui, 2012), so that stakeholders can make informed decisions related to dishonest CSR practices.

It is important to advance the development of unifying CSR theoretical and conceptual frameworks, both for managers, who can use these frameworks to develop solid and honest CSR policies, signalling their quality to outsiders, and for society as a whole. Interested third parties, when armed with a clear concept of CSR, can identify different business practices and make informed decisions from their stakeholder status. Finally, regulatory bodies may be interested in our distinction, to further encourage Core CSR policies.

In a time when people have unprecedented and powerful communication tools, academia must provide society with a clear theoretical framework for CSR in order to increase its knowledge and enhance its demand. Social content is widely spread on social media, such as Twitter or Facebook, which are able to mobilise thousands of users in a short period of time. Social media facilitates participatory on-line communication with significant impact on businesses (Kaplan and Haenlein, 2010). The diffusion of CSR requires that it is removed from contradictions that lead to a high degree of scepticism (Porter and Kramer, 2002). Our identification and analysis of the *'Illusion of CSR'* helps to move the scepticism from CSR in general to specific practices for companies that are not engaged with truly honest CSR policies.

In Chapter 2, *"Stakeholder (Dis)Engagement in Social Media: The Case of Twitter™ and the Spanish Banking Industry"*, we examine CSR information communication in social media, and specifically in Twitter. This study addresses important questions that had not been previously addressed in literature and reinforces some findings that had already been highlighted by other authors. First, our research presents social media as a suitable environment for the study of CSR, given the large amount of content generated about many aspects of the relationships between firms and stakeholders. Second, Core CSR is the predominant CSR-related content in social

media. However, internal accounts (corporate, managers and employees) make a concerted effort to enhance Supplementary CSR information, which does not translate into a higher interest about this content by external stakeholders, who are much more focused on Core CSR than internal users. This finding provides empirical evidence regarding several topics: (a) in contrast to traditional media, social networking tools are beyond the control of companies, (b) corporations are able to keep internal accounts under control to implement a common discourse or, as Morsing (2006) stated, firms use CSR communication to influence the willingness of managers and employees to identify with their workplace, and (c) companies fail to adapt their communication strategies to their external stakeholders concerns.

Third, visibility proxies previously identified in the literature on legitimacy theory (firm size, listing status and impact on society), are associated with higher visibility also on Twitter, which we measure by the number of tweets written or retweeted by external stakeholders. Additionally, they determine the total amount of content about CSR-related (either Core or Supplementary) information issued by internal users' Twitter accounts.

Fourth, there are several factors, such as equality and diversity in the workplace, financial inclusion and Socially Responsible Investing (SRI), which are recognized as key issues in the sustainability reports of banks, but barely mentioned in social media, even by the banks themselves. This could be interpreted as the low real engagement with some aspects that firms present as important in their CSR reports.

Fifth, cultural projects are the main component of Supplementary CSR in this study. Since these types of activities have high visibility (Valverde and Fernandez,



1998; Núñez, 1998), this finding leads us to highlight their use as mere marketing tools instead of policies that pursue a positive impact on society.

Finally, we identify three main participants in the communication of CSR issues in social media: mass media, individual Twitter users and corporate accounts. This would imply that (a) companies are clearly interested in intervening in this type of communication, (b) a link does exist between traditional mass media and new social media, and (c) individual users also have a relevant presence in the latter, making these new media more difficult to control by big companies and reducing biased information.

The main implication for business practices is that we show that corporations are not taking advantage of the full potential of social media as a key communication vehicle that allows permanent interaction with stakeholders. On the contrary, companies are applying traditional one-way communication strategies to a channel where the rules of the game have drastically changed. Our research is potentially of interest for users of CSR information who may better understand how firms use social networks to disseminate information, but also for firms, as it may provide them with useful data on how to address their CSR communication in social media to optimize their impact in terms of corporate reputation.

In Chapter 3, *“The Effects of Social Media Activism on Stock Markets”*, we continue the research of King and Soule (2007) and study the influence of external stakeholders’ activism on capital markets in the innovative and thriving environment of social media. We analyse abnormal variations in the price and trading volume of eight Spanish listed banking groups during 127 trading days. Our findings demonstrate that the activity of critical external stakeholders, such as consumer associations and trade unions, in Twitter has a significant impact on investors’ decisions.

Our empirical analyses show that the mechanisms that affect investors' behaviour differ depending on the characteristics of the external stakeholder group. We identify a significant impact of the tweets published by trade unions both on stock price and trading volume. This information negatively affects the stock price of the firms targeted, and this effect is more significant on trading days with a bearish tendency than under bull market conditions. It also produces significant increases on trading volume, a fact that reinforces the importance of this information on the expectations of informed investors. In contrast, the number of followers of trade unions' accounts, which is the amount of Twitter users potentially reached by their posts, does not significantly affect either stock prices or trading volume. We interpret these results to mean that what is of real interest for investors is the information published by trade unions in itself rather than its visibility in social media. Trade unions are well established in the Spanish socio-economic landscape, where they have historically shown a strong and effective mobilising power through strikes, protests and boycotts. As a result, investors take their tweets into consideration despite being organisations with a relatively small number of followers, and therefore with reduced visibility in Twitter.

The mechanisms of influence in Twitter of civic and consumer associations work in opposite way. These organizations, who are very active in Twitter and have a large number of followers, indirectly influence investors' decisions through their visibility in social media rather than the content or intensity of their posts. In Spain, civic and consumer associations do not have such a long history nor a large number of members like trade unions do. Their tweets by themselves seem not to be considered by investors. Notwithstanding this, their posts are widely distributed via Twitter and, therefore, they can become "*trending topics*" (a ranked list in Twitter with the most popular and talked-about topics within a narrow time frame) at a regional or even at a country level.

Consequently, any Twitter user, even if they are not followers of these organisations, can easily read their tweets. It is precisely when information published by these external stakeholders reaches a large number of Twitter users that we detect a significant influence on stock prices, both under bearish and bullish market conditions. The effect on trading volume is not significant, which could mean that the influence of these associations is lower on the informed investors than on the uninformed.

Our findings reinforce the role that social media plays in the relationship between companies and external stakeholders, providing evidence that it can have financial impact even in the short run. Our conclusions may have implications for the extensive body of literature that studies the relationship between social and financial performance, as well as studies on CSR, organizational theory and social movements. This work opens up an exciting avenue of study about new communication channels that can be used by organizational outsiders to influence the decision-making in companies. Social media is accessible to any Internet user, allowing a wide dissemination of information beyond the control of companies and traditional mass media. Therefore, these interactive communication tools meet the main features to be used by external stakeholders for bringing about changes in the business behaviour of the targeted firms.

The conclusions of our research may be of interest for managers who, once aware of the impact of external stakeholders' activism through social media on investors' behaviour, can re-adapt their on-line and social communication strategy and, therefore, mitigate the negative effect of protests. Social movements can also use our findings to plan their social media protests to achieve greater influence on business decisions. Their communication usually targets managers; however, they can also influence investors, which opens up another channel through which they can put pressure on the firms' decision makers to accept the intended changes.

This doctoral thesis addresses the three objectives stated in the introduction: (1) We contribute to the theoretical and conceptual framework of CSR; (2) we analyze CSR in the novel context of social media; and (3) we delve into the study of the relationship between CSR and financial performance, considering the role that new information and communication technologies may play in this regard.

## **[Resumen y Conclusiones]**

*“El amor, lleno de pequeños gestos de cuidado mutuo, es también civil y político, y se manifiesta en todas las acciones que procuran construir un mundo mejor. El amor a la sociedad y el compromiso por el bien común son una forma excelente de la caridad, que no sólo afecta a las relaciones entre los individuos, sino a las macro-relaciones, como las relaciones sociales, económicas y políticas”*

*Francisco, 24 de mayo de 2015  
Encíclica Laudato Si’ sobre el Cuidado de la Casa Común*

Esta tesis doctoral parte de la observación de un impacto cada vez mayor de las empresas en su entorno y de la búsqueda de mecanismos de conciliación entre los intereses empresariales y los de la sociedad en su conjunto. En este sentido, la Responsabilidad Social Corporativa (RSC), esto es, la adopción voluntaria por parte de las empresas de compromisos con el objetivo de conseguir la triple sostenibilidad económica, social y medioambiental, se presenta actualmente con la principal herramienta para conseguir ese fin. No obstante, tras varias décadas de desarrollo, la RSC se encuentra lejos de alcanzar sus objetivos y aumenta el escepticismo en torno a estas prácticas, en muchos casos percibidas como meras acciones de marketing. Por ello, empiezan a surgir iniciativas más ambiciosas para conseguir un desarrollo económico más sostenible, entre las que nos gustaría destacar la Economía del Bien Común, un movimiento social, político y económico promovido por Christian Felber,<sup>47</sup> que propone un sistema económico alternativo primando la cooperación y el interés general de la ciudadanía por encima de la competitividad y la consecución de beneficios económicos por parte de las empresas.

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<sup>47</sup> Felber, C. (2012). *La Economía del Bien Común*. Barcelona: Deusto.

No obstante, cada vez existe un mayor consenso sobre la necesidad de un cambio de paradigma en el modelo económico mundial, como ponen de manifiesto, por ejemplo, los extractos incluidos en esta sección, que proceden de la Encíclica *Laudato Si'*<sup>48</sup> del Papa Francisco de mayo de 2015, y del último discurso sobre el Estado de la Unión<sup>49</sup> del Presidente de los Estados Unidos, Barack Obama, en enero de 2016.

*“Después de años de beneficios empresariales récord, las familias trabajadoras no van a conseguir más oportunidades ni sueldos más altos si dejamos que los grandes bancos o las grandes empresas petroleras o los fondos de cobertura se autorregulen a costa de todos, o si permanecemos en silencio ante los ataques contra las negociaciones colectivas. La crisis financiera no la causaron las personas que reciben cupones de alimentos; la provocó la imprudencia de Wall Street. Los inmigrantes no son la razón por la que los salarios no han aumentado lo suficiente; esas decisiones se toman en consejos directivos que suelen dar prioridad con demasiada frecuencia a los beneficios trimestrales en vez de a los ingresos a largo plazo. Seguro que no es la familia típica que está mirándonos esta noche quien evita pagar impuestos a través de cuentas en el extranjero.*

*En esta nueva economía, los trabajadores, las nuevas empresas y las pequeñas empresas necesitan tener más peso, no menos. Las reglas deberían funcionar para ellos. Y este año tengo la intención de encumbrar a las numerosas empresas que se han dado cuenta de que tratar bien a sus trabajadores redundará en beneficios para sus accionistas, sus clientes y sus comunidades, de manera que podamos propagar esas prácticas recomendadas a lo largo y ancho de Estados Unidos.*

*De hecho, muchos de nuestros mejores ciudadanos corporativos también son los más creativos. Y esto me lleva a la segunda pregunta clave que tenemos que responder como país: ¿qué debemos hacer para reavivar ese espíritu innovador con la mira puesta en nuestros más grandes desafíos?”*

Barack Obama  
*State of the Union, January 2016*

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<sup>48</sup> Francisco, P. (2015). Carta Encíclica del Santo Padre Francisco sobre el Cuidado de la Casa Común: <[https://w2.vatican.va/content/dam/francesco/pdf/encyclicals/documents/papa-francesco\\_20150524\\_enciclica-laudato-si\\_sp.pdf](https://w2.vatican.va/content/dam/francesco/pdf/encyclicals/documents/papa-francesco_20150524_enciclica-laudato-si_sp.pdf)>, consultado en Enero de 2016.

<sup>49</sup> Obama, B. (2016). Discurso sobre el Estado de la Unión: <<https://www.whitehouse.gov/sotu>>, consultado en Enero de 2016.

*“Un estudio del impacto ambiental no debería ser posterior a la elaboración de un proyecto productivo o de cualquier política, plan o programa a desarrollarse. Tiene que insertarse desde el principio y elaborarse de modo interdisciplinario, transparente e independiente de toda presión económica o política. Debe conectarse con el análisis de las condiciones de trabajo y de los posibles efectos en la salud física y mental de las personas, en la economía local, en la seguridad. Los resultados económicos podrán así deducirse de manera más realista, teniendo en cuenta los escenarios posibles y eventualmente previendo la necesidad de una inversión mayor para resolver efectos indeseables que puedan ser corregidos. Siempre es necesario alcanzar consensos entre los distintos actores sociales, que pueden aportar diferentes perspectivas, soluciones y alternativas. Pero en la mesa de discusión deben tener un lugar privilegiado los habitantes locales, quienes se preguntan por lo que quieren para ellos y para sus hijos, y pueden considerar los fines que trascienden el interés económico inmediato. Hay que dejar de pensar en «intervenciones» sobre el ambiente para dar lugar a políticas pensadas y discutidas por todas las partes interesadas. La participación requiere que todos sean adecuadamente informados de los diversos aspectos y de los diferentes riesgos y posibilidades, y no se reduce a la decisión inicial sobre un proyecto, sino que implica también acciones de seguimiento o monitorización constante. Hace falta sinceridad y verdad en las discusiones científicas y políticas, sin reducirse a considerar qué está permitido o no por la legislación.”*

*Francisco, 24 de mayo de 2015  
Encíclica Laudato Si' sobre el Cuidado de la Casa Común*

La RSC necesita de un nuevo impulso que pasa necesariamente por: (1) hacerla más clara y creíble para todos los actores sociales y económicos, lo cual implica profundizar en el desarrollo de su marco teórico; (2) contextualizarla y analizarla en el momento actual, en el que las nuevas tecnologías de la información y la comunicación están cambiando nuestra manera de vivir y de hacer negocios; y (3) ampliar el estudio de la relación entre la RSC y el desempeño financiero de las empresas, ya que de esta relación depende en buena medida la aceptación y expansión de las políticas de RSC. Esta tesis doctoral aborda cada uno de estos aspectos y desarrolla toda la investigación en el sector bancario español.

*“La política no debe someterse a la economía y ésta no debe someterse a los dictámenes y al paradigma eficientista de la tecnocracia. Hoy, pensando en el bien común, necesitamos imperiosamente que la política y la economía, en diálogo, se coloquen decididamente al servicio de la vida, especialmente de la vida humana. La salvación de los bancos a toda costa, haciendo pagar el precio a la población, sin la firme decisión de revisar y reformar el entero sistema, reafirma un dominio absoluto de las finanzas que no tiene futuro y que sólo podrá generar nuevas crisis después de una larga, costosa y aparente curación. La crisis financiera de 2007-2008 era la ocasión para el desarrollo de una nueva economía más atenta a los principios éticos y para una nueva regulación de la actividad financiera especulativa y de la riqueza ficticia. Pero no hubo una reacción que llevara a repensar los criterios obsoletos que siguen rigiendo al mundo.”*

*Francisco, 24 de mayo de 2015  
Encíclica Laudato Si' sobre el Cuidado de la Casa Común*

Hemos elegido este sector empresarial por tratarse de una actividad con un elevado impacto social, en especial tras las crisis financiera iniciada en España en 2008, como demuestra el hecho de que por vez primera las entidades de crédito apareciesen entre las principales preocupaciones de los españoles desde el barómetro del Centro de Investigaciones Sociológicas de junio de 2012. Este hecho se ha unido a la aparición de crecientes indicios de la existencia de un cambio de mentalidad en torno a la ética en las finanzas, que se ha traducido también en modificaciones en el comportamiento de los consumidores de productos y servicios financieros. La denominada ‘banca ética’, que si bien sigue teniendo un peso poco significativo en el sistema bancario español, ha visto como sus depósitos crecían exponencialmente en los últimos años. Según el Observatorio de la asociación Finanzas Éticas y Solidarias (FETS), en el periodo 2008-2012, los activos depositados en estas entidades se multiplicaron por 4.5 hasta rozar los mil millones de euros. Además, la desaparición de las Cajas de Ahorro como tales y la reducción de su obra social ha dejado un importante vacío en el mercado, que ahora otras entidades buscan ocupar. El sector bancario español se enfrenta así a un escenario



inédito en el que los consumidores están más sensibilizados con la ética en las finanzas y donde la RSC se convierte en una herramienta fundamental para que las entidades de crédito se adapten a las nuevas condiciones del mercado. Nos encontramos, por tanto, ante un entorno de máximo riesgo reputacional para el sector, que ha de buscar necesariamente estrategias para mitigarlo.

En el Capítulo 1, *“The Illusion of CSR: Drawing the Line between Core and Supplementary CSR”*, buscamos contribuir al desarrollo del marco teórico y conceptual de la RSC diferenciando dos tipos de políticas de RSC: la relacionadas directamente con la actividad principal, que denominamos RSC Central (*Core CSR*), y las acciones desconectadas del negocio principal, que llamamos RSC Complementaria (*Supplementary CSR*). Estas últimas suelen consistir en proyectos sociales, culturales o medioambientales que las empresas canalizan a través de fundaciones. Consideramos que ambos tipos de políticas de RSC pueden tener motivaciones y efectos diferentes, y esta distinción nos ayuda a explicar una de las contradicciones que mayor confusión introducen en el entendimiento de la RSC, la que tiene lugar cuando una empresa causa un perjuicio social mediante su actividad principal (RSC Central) al mismo tiempo que destina una gran cantidad de recursos para el desarrollo de acción social desconectada de su negocio (RSC Complementaria), a esta paradoja la denominamos la *‘Ilusión de la RSC’*.

El desarrollo de una base teórica más sólida es un paso esencial para minimizar las contradicciones que afectan a un área de la investigación empírica que ha dado lugar a una gran cantidad de estudios, la relación entre RSC, también identificada como ‘desempeño social’, y el desempeño financiero de las empresas (Garriga y Melé, 2004; Margolis y Walsh, 2003; Ruf et al., 2001; Ullman, 1985). La inconsistencia del marco teórico se pone especialmente de manifiesto en la aproximación al constructo

‘desempeño social’, que se realiza de muy diversas formas y la decisión de cada autor sobre la forma en que mide esta variable incide notablemente sobre el resultado de la relación con variables financieras. Sin embargo, a pesar de la falta de solidez del marco teórico, se ha avanzado en el estudio de esta relación y, mediante la técnica del meta-análisis, que proporciona una visión de conjunto de la investigación en este campo, se han obtenido indicios de una relación positiva entre desempeño social y financiero (Orlitzky et al. 2003; Margolis y Walsh, 2003). Pero los efectos de esta debilidad en la definición de la RSC no es exclusiva del ámbito académico, en la práctica empresarial se observan múltiples y llamativas paradojas que se convierten en verdaderos obstáculos para el asentamiento definitivo de la RSC en la realidad empresarial.

Apoyaremos nuestro planteamiento teórico con un caso instrumental (Stake, 1995) que consideramos paradigmático de esta problemática, las Cajas de Ahorro españolas y su Obra Social. Entendemos que la identificación y explicación de este fenómeno puede contribuir a entender mejor la RSC, reduciendo así el escepticismo que en ocasiones rodea a una forma de entender la actividad empresarial que se aleja de la visión tradicional de la empresa como una entidad centrada exclusivamente en la maximización del beneficio para sus propietarios. Este ejemplo paradigmático sirve para ilustrar la complejidad del concepto RSC, que engloba diferentes dimensiones y relaciones entre ellas que pueden derivar en una falsa apariencia de responsabilidad social. Con nuestra reflexión sugerimos que, antes de analizar la relación entre RSC y desempeño financiero, se realice un examen riguroso del constructo ‘desempeño social’ partiendo de un profundo conocimiento de la realidad empresarial que se está analizando. Este examen ha de iniciarse con una evaluación de las responsabilidades éticas, esto es, el impacto de la actividad principal de cada empresa sobre sus grupos de interés. De esta forma se podrá determinar si la ética está presente en la estrategia

empresarial, consiguiendo así generar un impacto positivo en el entorno o al menos minimizar el negativo; o bien, por el contrario, se observa ausencia de ética en la toma de decisiones o un uso oportunista de la misma. Una vez ubicada las responsabilidades éticas dentro o fuera de la estrategia del negocio se podrá completar el diagnóstico de la RSC con el análisis de las responsabilidades filantrópicas, que pueden complementar un desempeño social adecuado en el plano ético o enmascarar la ausencia de ética dando lugar a la *‘Ilusión de la RSC’*, una situación que puede ocultar, incluso para los propios gestores, los desequilibrios que se dan en la relación de la empresa con su entorno, pudiendo llegar a causar un importante perjuicio a largo plazo, como ocurrió con las Cajas de Ahorro españolas.

Como hemos señalado, esta reflexión puede tener implicaciones para la literatura sobre RSC, especialmente para la que estudia la relación entre desempeño social y financiero, ya que destaca la importancia de buscar medidas globales que, además, tengan en cuenta las relaciones que se producen entre los distintos niveles de responsabilidad que engloba la RSC. De lo contrario, su evaluación de desempeño social puede conducir a la obtención de resultados inválidos sobre el impacto que un desempeño social adecuado tiene sobre las magnitudes financieras. Este riesgo afecta principalmente a los estudios que basan su medida de RSC en aspectos filantrópicos y otras actividades de la empresa desconectadas de su negocio, ya que son precisamente las acciones que pueden actuar de pantalla y que en algunos casos, como el que ha sido objeto de análisis en este artículo, podrían ocultar graves deficiencias en el desempeño social.

En la normalización de la RSC diferenciamos tres grupos de actores esenciales: (1) el mundo académico, que como hemos mencionado debe ser capaz de proporcionar un marco teórico sólido que elimine los aspectos que introducen confusión en el concepto,

y en especial, las contradicciones; (2) el mundo profesional, que debe utilizar ese marco teórico para desarrollar políticas sólidas y honestas de RSC; y, por último, (3) la sociedad entendida como conjunto de grupos de interés afectados por la actividad empresarial, a la que debemos ser capaces de explicar de forma clara y sencilla un concepto tan complejo como es la RSC, de forma que puedan diferenciar las diversas prácticas empresariales y tomar decisiones informadas en su condición de *stakeholders* o grupos de interés.

Mejorar el marco teórico de la RSC explicando sus contradicciones es fundamental en un momento en que la sociedad cuenta de potentes herramientas de comunicación como las redes sociales. Estos medios permiten una comunicación muy participativa que tiene una gran incidencia para las empresas (Kaplan y Haenlein, 2010). Redes como Twitter y Facebook, se ha convertido en medios de denuncia social que consiguen coordinar en muy poco tiempo a miles de usuarios. Esta facilidad de comunicación se puede configurar como un elemento decisivo para la consolidación definitiva de la RSC en la cultura empresarial. Sin embargo, para que esto se produzca la sociedad ha de disponer de un mayor conocimiento sobre RSC, lo que pasa necesariamente por la eliminación de las incoherencias o contradicciones que frecuentemente se asocian a estas prácticas empresariales, generando un elevado grado de escepticismo (Porter y Kramer, 2002). La identificación de la ‘*Ilusión de la RSC*’ puede servir para que ese escepticismo se traslade de la RSC como disciplina general a la práctica concreta de las empresas que no desarrollan políticas de RSC honestas y transparentes.

*“Tienden a reemplazarse las relaciones reales con los demás, con todos los desafíos que implican, por un tipo de comunicación mediada por internet. Esto permite seleccionar o eliminar las relaciones según nuestro arbitrio, y así suele generarse un nuevo tipo de emociones artificiales, que tienen que ver más con dispositivos y pantallas que con las personas y la naturaleza. Los medios actuales permiten que nos comuniquemos y que compartamos*

*conocimientos y afectos. Sin embargo, a veces también nos impiden tomar contacto directo con la angustia, con el temblor, con la alegría del otro y con la complejidad de su experiencia personal. Por eso no debería llamar la atención que, junto con la abrumadora oferta de estos productos, se desarrolle una profunda y melancólica insatisfacción en las relaciones interpersonales, o un dañino aislamiento.”*

*Francisco, 24 de mayo de 2015  
Encíclica Laudato Si' sobre el Cuidado de la Casa Común*

En el Capítulo 2 “*Stakeholder (Dis)Engagement in Social Media: The Case of Twitter™ and the Spanish Banking Industry*”, estudiamos la comunicación entre empresas y grupos de interés en el entorno de las redes sociales. En los últimos años las redes sociales han cobrado una gran relevancia en todos los ámbitos de las relaciones sociales y, en particular, en la relación de las empresas con sus grupos de interés. Internet, y muy especialmente las redes sociales, han democratizado los procesos de diálogo entre empresas y *stakeholders* (Coombs, 1998), convirtiéndose en medios de comunicación para informaciones, críticas, quejas, recomendaciones y todo tipo de comentarios que buscan informar sobre un determinado producto, marca o empresa, e incluso influir en el comportamiento y actitudes de los consumidores hacia ellos (Jansen et al., 2009).

En el ámbito académico, este trabajo presenta las redes sociales como un entorno apropiado para el estudio de cuestiones relacionadas con la RSC, por la gran cantidad de contenidos que se generan sobre aspectos relativos a la relación entre empresas y grupos de interés. Por otro lado, nuestro análisis indica que la visibilidad en redes sociales, medida como la cantidad de información que se genera sobre una empresa, coincide con parámetros de visibilidad tradicionalmente empleados en la literatura, tales como el tamaño de la empresa, la cotización en mercados de capitales o la pertenencia a un

sector empresarial controvertido. Esta mayor visibilidad aparece significativamente relacionada con una mayor actividad de comunicación en Twitter por parte de las empresas. Finalmente, sobre la base del marco teórico desarrollado en el Capítulo 1, encontramos que la estrategia de comunicación sobre RSC de las empresas no está adecuadamente alineada con la de los *stakeholders* externos, ya que éstos se interesan básicamente por cuestiones relacionadas con el negocio principal de las compañías, esto es, RSC Central, mientras que las cuentas internas se ocupan de cuestiones asociadas a la RSC Complementaria en una proporción significativamente superior a la de los *stakeholders* externos. Este resultado demuestra que las redes sociales son un medio de difícil control por parte de las empresas, en línea con lo expuesto por Mangold y Faulds (2009). Ésta es asimismo la principal implicación del trabajo para la práctica empresarial, ya que pone de manifiesto que actualmente las empresas no están aprovechando el potencial de las redes sociales, que permiten una interacción permanente con los grupos de interés, y siguen empleando estrategias tradicionales de comunicación unidireccional.

*“Un cambio en los estilos de vida podría llegar a ejercer una sana presión sobre los que tienen poder político, económico y social. Es lo que ocurre cuando los movimientos de consumidores logran que dejen de adquirirse ciertos productos y así se vuelven efectivos para modificar el comportamiento de las empresas, forzándolas a considerar el impacto ambiental y los patrones de producción. Es un hecho que, cuando los hábitos de la sociedad afectan el rédito de las empresas, estas se ven presionadas a producir de otra manera. Ello nos recuerda la responsabilidad social de los consumidores. «Comprar es siempre un acto moral, y no sólo económico.»*

*Francisco, 24 de mayo de 2015  
Encíclica Laudato Si’ sobre el Cuidado de la Casa Común*

En el Capítulo 3 “*The Effects of Social Media Activism on Stock Markets*”, profundizamos en el estudio de la relación entre empresas y *stakeholders* externos aplicando las conclusiones de King y Soule (2007) en el contexto de internet y las redes sociales. Estos autores analizan de forma empírica y basándose en la teoría de los movimientos sociales la influencia que los *stakeholders* externos pueden tener sobre las empresas cuando realizan acciones de protesta. En concreto emplean las rentabilidades anormales como indicadores para estudiar la influencia sobre el comportamiento de los inversores. Concluyen que las acciones de protesta tienen un mayor impacto cuando implican a grupos de interés clave para la mayoría de las empresas, como son los sindicatos y los consumidores, y cuando tienen una mayor difusión en los medios de comunicación. Sobre la base de este estudio, analizamos la vigencia de dichas conclusiones en un entorno tan innovador como las redes sociales, donde existe una presencia muy relevante de grupos de activismo social y sirve de canal para que plataformas como Change.org<sup>50</sup> consigan una amplia difusión de sus campañas.

La mayoría de autores coinciden en que las políticas de RSC han de ir dirigidas a mejorar la relación de las empresas con sus principales grupos de interés, lo que en el largo plazo se traduce en una mejor reputación corporativa, mayor lealtad por parte de los consumidores, mejor clima laboral y mayor productividad por parte de los trabajadores, entre otros intangibles que, con la consolidación de estas políticas, pueden impactar positivamente en la rentabilidad de las empresas (Lai et al .; 2010; Surroca et al., 2010). Diversos estudios han analizado esta relación en el corto plazo, tratando de encontrar un impacto más o menos inmediato de acciones de RSC en el comportamiento bursátil de las empresas que las llevan a cabo, sin hallar efectos significativos

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<sup>50</sup> Change.org es una plataforma web en la que los usuarios pueden iniciar o apoyar una campaña. El objetivo es generar presión social para conseguir cambios. Página web de Change.org <<http://www.change.org/about>>, consultado en Enero de 2016.

(Fernández-Izquierdo et al., 2009; Brammer et al., 2006; Graves y Waddock, 1994; Buchholz y Alexander, 1978). Sin embargo, la mayor parte de estos trabajos se apoyan en la teoría de los *stakeholders* o en la teoría de la legitimidad, las cuales, desde nuestro punto de vista, justifican efectos a largo plazo difícilmente observables para cada acción de RSC específica. Entendemos que la teoría de los movimientos sociales proporciona una base más sólida para analizar esta relación en el corto plazo.

Tal y como destacan King y Soule (2007), la influencia que los *stakeholders* externos pueden tener en dichos procesos requiere de un estudio más exhaustivo y, siguiendo la línea marcada por estos autores, profundizamos en el análisis del efecto de la presión de los *stakeholders* externos sobre los precios de las acciones de las compañías afectadas, añadiendo también el análisis del efecto sobre el volumen de títulos que se intercambian. Para conocer el impacto de una noticia sobre las acciones de una compañía, además de su efecto sobre la rentabilidad de los títulos, un volumen anormal puede indicar cambios de expectativas por parte de los inversores más informados como consecuencia de ese suceso. Mediante la modificación de las expectativas y el comportamiento de los inversores, los grupos de interés pueden influir indirectamente sobre la toma de decisiones por parte de los directivos de una compañía. El impacto de los boicots sobre la cotización bursátil ha sido previamente estudiado en la literatura. Sin embargo, se desconoce el efecto que otro tipo de protestas o manifestaciones por parte de grupos de interés externos tiene sobre la capitalización bursátil de una compañía.

Los movimientos sociales se pueden configurar como un importante motor de cambio institucional mediante el cual los *stakeholders* externos influyan en las decisiones empresariales, incluso cuando los *stakeholders* internos se muestren contrarios al cambio. Entendemos que es una cuestión de interés analizar la vigencia de



las conclusiones del trabajo de King y Soule (2007) en el contexto socio-económico actual, y estudiar el papel que las redes sociales pueden desempeñar como herramientas para canalizar y potenciar la acción de los grupos de interés externos para influir sobre comportamientos empresariales que les afectan.

Nuestro análisis demuestra empíricamente que el efecto sobre el comportamiento de los inversores difiere en función de las características del grupo de presión de que se trate. Observamos un impacto significativo de los *tweets* de los sindicatos tanto sobre la rentabilidad como sobre el volumen de contratación. Estos mensajes afectan negativamente a la rentabilidad de las acciones de las empresas afectadas, siendo su impacto especialmente significativo en sesiones bajistas, es decir, incrementan de manera significativa las expectativas negativas de los inversores. Sin embargo, este efecto no resulta significativo en sesiones alcistas. Asimismo producen incrementos significativos sobre el volumen de contratación, un dato que refuerza la importancia de estas acciones sobre las expectativas de los inversores, y específicamente de los más informados. Sin embargo, el escaso número de *followers* (seguidores) de las cuentas de las organizaciones sindicales no tiene una influencia significativa ni sobre la rentabilidad ni sobre el volumen.

Interpretamos este resultado como que lo que realmente influye sobre el comportamiento de los inversores en el caso de este grupo de interés es el contenido de los mensajes. Se trata de organizaciones bien asentadas en la economía española y con un importante poder de movilización mediante huelgas, protestas o acciones de boicot, por lo que los inversores toman en consideración sus mensajes a pesar de ser organizaciones que, por su reducido número de seguidores en redes sociales, no tiene una gran visibilidad en este entorno.

Por el contrario, el impacto de la acción en Twitter de las plataformas cívicas y asociaciones de consumidores no es directo por el contenido de sus mensajes, sino indirecto a través del número de *followers* de sus cuentas, ya que se trata de organizaciones muy activas en redes sociales y que cuentan con un elevado número de seguidores. Su historia es más reciente que la de los sindicatos y no cuentan con un número de afiliados tan amplio como el de estas organizaciones, por lo que el contenido de su información no tiene el mismo efecto sobre los inversores. Sus mensajes presentan una amplia difusión en Twitter y, por lo tanto, capacidad de alcanzar el nivel de *trending topic* (ranking de los temas de mayor relevancia en Twitter) en localizaciones muy amplias, incluso a nivel país. De esta forma, cualquier usuario de esta red social, aunque no sea seguidor de estas organizaciones, puede ser alcanzado por sus mensajes. Cuando las comunicaciones de estos grupos alcanzan a un elevado número de usuarios, es precisamente cuando se observa un efecto significativo sobre el comportamiento de los inversores, que se materializa en un impacto negativo sobre la rentabilidad de las acciones de las empresas afectadas, tanto en sesiones bajistas como alcistas. En cambio, su efecto sobre el volumen de contratación no es significativo, lo que sugiere que el efecto se da especialmente en inversores menos informados.

Nuestros hallazgos refuerzan el papel de las redes sociales en la relación de las empresas con sus *stakeholders* externos, demostrando que es una cuestión que tiene impacto financiero incluso en el corto plazo. Estos resultados pueden tener implicaciones para la amplia literatura que estudia la relación entre desempeño social y financiero, así como para los estudios sobre RSC, teoría organizacional y movimientos sociales. Este trabajo abre una línea de investigación sobre un canal de comunicación que pueden emplear los *stakeholders* externos para influir sobre la toma de decisiones en las empresas. Las redes sociales son accesibles para cualquier usuario de internet y

permiten una amplia difusión de la información al margen de las empresas y de los grandes medios de comunicación, por lo que se trata de un medio que reúne las principales características para ser usado por los grupos de interés con el fin de promover cambios en el comportamiento de las empresas objetivo de sus protestas.

Las conclusiones de nuestro trabajo pueden resultar de interés para las empresas que, conociendo el impacto de estos movimientos sociales sobre las decisiones de sus inversores, pueden adaptar sus políticas de comunicación *on-line* a las demandas de sus *stakeholders* y así mitigar el efecto negativo de sus protestas. Los grupos de activismo social también pueden emplear nuestros hallazgos para planificar sus acciones de protesta a través de redes sociales con el objetivo de conseguir una mayor influencia sobre las decisiones empresariales. Su comunicación suele ir dirigida a los administradores de las compañías, pero como hemos visto, tienen una influencia significativa sobre inversores y accionistas, un aspecto que podría abrir otra vía alternativa mediante la que presionar para provocar los cambios pretendidos.

Con esta tesis buscamos contribuir a cada uno de los aspectos señalados al comienzo de esta exposición como necesarios para avanzar en el desarrollo de la RSC. (1) Profundizamos en el desarrollo del marco teórico y conceptual con la distinción entre RSC Central y Complementaria, y la explicación de la paradoja que denominamos ‘Ilusión de RSC’. (2) Analizamos las políticas de comunicación empresarial en el contexto de las redes sociales, poniendo de manifiesto que las empresas no se adaptan a las demandas de comunicación de sus principales grupos de interés. (3) Finalmente, demostramos que la acción de los grupos de interés a través de las redes sociales puede tener un impacto significativo a corto plazo en el desempeño bursátil de la empresas.

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## **Appendices**

### **Appendix 1.1 – Sources of information consulted in the instrumental case study**

#### **A. Documentation**

##### *A.1. Legislation*

- Law of 14 March 1933 relating to Savings Banks.
- Royal Decree 2290/1977, 27 August 1977, on regulation of government bodies and functions of Saving Banks.
- Royal Decree-law 11/2010, on the governing bodies and other legal aspects of savings banks
- Code of Good Practice approved by the Spanish government, which includes the Royal Decree-Law 6/2012 on urgent measures to protect mortgage borrowers, as published in the Official State Bulletin on March 10, 2012.
- Law 26/2013, on savings banks and banking foundations.

##### *A.2. Official bodies reports*

- Report on the Review of Transactions Married Between Clients of Hybrid Products. Supervision Department ESI-ECA (CNMV), September 26th, 2011.
- Survey on the Access to Finance of Small and Medium-Sized Enterprises in the Euro Area. European Central Bank – Eurosystem. February 2010 - November 2012.
- Press release issued by the Bank of Spain in September 2013.
- Bank of Spain website:  
<<http://www.bde.es/clientebanca/entidades/pueden/bancos.htm>>. Accessed October 2015.

##### *A.3. Private entities reports*

- *2007-2012: Retrospective on Evictions and Foreclosures in Spain, Official Statistics and Indicators*. Authors: Ada Colau & Adrià Alemany. Platform of People Affected by Mortgages (PAH). Published in 2013.
- *Financing of SMEs in Spain*. Author: Santiago Fernández de Lis. BBVA Head of Financial Systems and Regulation. February 2012.

- *The banking offices and the ongoing restructuring process*. Author: A.T. Kearny (Global Management Consulting Firm) Spain. Published in 2012.
- *Study on job prospects in the Spanish banking industry*. Author: InfoJobs (leader employment website). Published in August 2012.

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#### A.5. Newspapers

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### B. Archival records

- Statistical Bulletins of the Bank of Spain, September to December 2007.
- Spanish Confederation of Savings Banks (CECA) annual reports, 2007-2011.
- Barometer of the Spanish Centre for Sociological Research (CIS), June 2012.

## **Appendix 1.2 – Interviews details**

Interviews were conducted in four confidential sessions and collected the information by taking notes. Additional data on the interviews are detailed below:

<b>Key Stakeholder</b>	<b>Representative</b>	<b>Interviewees</b>	<b>Information</b>
<b>Clients</b>	<i>Association of banking services users</i>	Communications Manager and Secretary General	Date: December 2013 Mode: Face-to-face Duration: 2 hours
<b>Employees</b>	<i>Banking wings of two trade unions</i>	Union 1. Two members of the board of management	Date: December 2013 Mode: Face-to-face Duration: 90 min
		Union 2. A member of the board of management	Date: January 2013 Mode: Face-to-face Duration: 90 min
<b>Society</b>	<i>NGO focused on economics, finance, CSR and sustainability</i>	Coordinator of CSR and SRI (Socially Responsible Investing)	Date: January 2014 Mode: Telephone Duration: 1 hour

## Appendix 2.1 – Criteria description. Examples of keywords, hashtags and users

### 1) Keywords and hashtags:

Stakeholders		Criteria (name of the variable)	Description	Keywords examples <sup>1</sup>	Hashtags examples <sup>1</sup>
Core CSR	A. Clients	A.a Individuals	A.a.1 Commercial practices (tw_c_i_commpact)	floor clause, foreclosure, eviction, card, interest, excessive, abusive, fees, charges, deposit, mortgage, cancellation, giving in payment, affected, preferred shares	# floorclause, #stopevictions, #yeswecan, #mortgages, #outrage, #preferredshares, #affectedpreferredshares
			A.a.1.1 Savings management (tw_c_i_savings)	banking fees, deposit, affected, preferred shares, arbitration	#outrage, #preferredshares, #affectedpreferredshares
			A.a.1.2 Credit management (tw_c_i_credit)	clause, floor, eviction, interest, abusive, mortgage, cancellation, giving in payment	# floorclause, #stopevictions, #yeswecan, #mortgages

<sup>1</sup> Translated from the original keywords or hashtags in Spanish.

	<b>A.b Business</b>	<b>A.b.1 Credit</b> (tw_c_b_credit)	This criterion mainly addresses the financing needs of Spanish companies, especially those most dependent on bank credit: entrepreneurs, self-employed workers and SMEs. However, is also includes other aspects with impact on the relationship between financial institutions and businesses.	financing, self-employed, alliance, credit facility, line of credit, SMEs, business	#financing, #SMEs, #selfemployed, #startups
	<b>B. Employees</b>	<b>B.1 Employment</b> (tw_e_employment)	Create new employment and preserve the existing is a way for business to show commitment with the community in which they operate. Here we include issues such as job offers, redundancy dismissal procedures, early retirement, stability of employment, etc.	redundancy, dismissal procedure, negotiations, temporary contract, unions, strike, workforce employment, demonstration	#ere (redundancy dismissal procedure, abbreviation in Spanish), #noalere ("no to redundancy dismissal procedure"), #comfia (Spanish banking industry union), #employment
		<b>B.2 Equality and diversity in the workplace</b> (tw_e_equality&div)	Activities performed by firms to promote equal opportunities for workers. Here we monitor aspects such as gender equality, wage gap and initiatives to improve access to employment for disadvantaged groups (people under risk of social exclusion and people with disabilities).	discrimination, equality, disability, integration	#equality
		<b>B.3 Working conditions</b> (tw_e_workingcond)	All those factors that may affect employees and have not been included in the previous criteria, such as health and safety in the workplace, occupational risk prevention, participation, freedom of association, training and policies aimed at improving reconciliation and working environment.	robbery, branch, activists, rally, protest, police, block, occupy	# theywontmoveus

	<b>C. Society</b>	<b>C.1 Socially Responsible Investing</b> (tw_s_sri)	It refers to the consideration of environmental, social and corporate governance (ESG) criteria to generate investment products and services, typically investment funds, in addition to purely financial criteria.	SRI, fund, investment, weapons, manufacturer	#sri, #responsibleinvesting
		<b>C.2 Financial inclusion</b> (tw_s_financialincl)	Initiatives to provide funding and financial services to disadvantaged and low-income segments of society, also in rural and unbanked areas. This criterion includes, for example, microcredits, loans for social entrepreneurship and 'Montes de Piedad' (Spanish socially-oriented pawnbrokers).	microcredits, monte, piedad, women, entrepreneurs	#microcredits, #MontedePiedad
		<b>C.3 Normative breaches</b> (tw_s_normbreach)	Actions outside the legal framework and/or the responsible banking behavior, such as tax evasion, money laundering, corruption, lobbying, etc.	lawsuit, evader, suspected, tax haven, sentence, judge, fraud, court, suspect, defendant	#justice, #theswisssecret, #corruption
	<b>D. Corporate Governance</b>	<b>D.1 Transparency</b> (tw_cg_transparency)	Transparency and reliability of financial and non financial information provided by the firm.	accountancy, audit, accounting, falseness, manipulated, artificial	#scandal, #deloitte
		<b>D.2 Board of directors and managers compensation</b> (tw_cg_managcomp)	This category is particularly relevant for those cases of disproportionate remuneration of directors and managers of banks that were bailed out with public money. It covers predicament about compensation transparency as well as the proportionality in relation to the average remuneration of the workforce and the quality of management.	board, remuneration, bonuses, directors, compensation, ex(directors	#swindle

	<b>E. Shareholders</b>	<b>E.1 Value creation</b> (tw_sh_valuecreat)	Actions that translate into either profit or loss for shareholders. Includes financial (profitability, share price, dividends, etc.) and non-financial (shareholder information, participation, protection of minority shareholders, etc.) aspects.	shareholder, profits, stock market, trading, results, share, CNMV (Spanish Securities and Exchange Commission)	#stockmarket, #markets, #investments, #ibex (Spanish benchmark stock market index)
Supplementary CSR	<b>F. Non(financial activities</b>	<b>F.1 Social action projects</b> (tw_social)	Social action and health assistance projects detached from the financial activity and usually performed through a foundation which is part of the same business group.	foundation, food, solidarity, disability, blood, donor	#solidaryvisa, #homeless, #unicef, #caritas, #csr
		<b>F.2 Cultural projects</b> (tw_cultural)	Cultural projects detached from the financial activity and usually performed through a foundation which is part of the same business group. This section includes actions aimed at the support of education, research, culture, leisure and preservation of historic and artistic heritage.	foundation, grants, universities, tournament, students, auditorium, library, cinema, concert, tickets	#grants, #competition, #education, #culture, #university
		<b>F.3 Environmental projects</b> (tw_environmental)	Environmental conservation and preservation projects detached from the financial activity and usually performed through a foundation which is part of the same business group.	foundation, ecological, agriculture, efficiency, energy, recycling	#climaticchange, #bike, #reuse

## 2) Twitter users:

Twitter users	Criteria (name of the variable)	Description	Examples
A. Internal	A.1 Corporate (tw_i_corporate)	Corporate accounts of each company	@bancosabadell, @bancosantander, @popularresponde, @accionistascabk, @cajaruralclm
	A.2 Managers (tw_i_managers)	Accounts that belong to directors or managers of the analyzed firms. The affiliation can be detected either in their Twitter profile or through a search on the internet.	@victorcrcrm, @jabernacer, @sflarios, @jescotet, @gonzalosaiz
	A.3 Employees (tw_i_employees)	Accounts that belong to employees of the analyzed firms. The affiliation can be detected either in their Twitter profile or through a search on the internet.	@estherheredia, @marcocrcrm, @roty2020, @xavierhervas, @mariaraurell
B. External	B.1 Public administrations (tw_e_publicadm)	Accounts of diverse Spanish public administrations: state, autonomous communities, provinces and municipalities, and their subordinated institutions. In this category we also classify the accounts of politicians or political parties that currently hold governing responsibilities, which is detected either in their Twitter profile or through a search on the internet.	@ayto_sevilla, @aytomedina, @consejogpj, @justiciagob, @clj_ontinyent, @agarzon
	B.2 Companies (tw_e_companies)	Accounts of business firms in the private sector that do not belong to the mass media industry.	@totalimedia, @teatrocampos, @freeforjobcom, @ieuskadi, @seneocoop



	<b>B.3 Mass media</b> (tw_e_massmedia)	Twitter accounts of diverse mass media: general interest newspapers, economic newspapers, radio, television, online media, etc. It includes the accounts of journalists working for these media, which is detected either in their Twitter profile or through a search on the internet.	@expansioncom, @el_pais, @eleconomistaes, @eldiarioes, @voz_populi
	<b>B.4 NGOs</b> (tw_e_ngos)	Accounts of diverse non-governmental organizations. It includes the accounts of their managers, employees and volunteers; their affiliation is detected either in their Twitter profile or through a search on the internet.	@andcompartiendo, @setemcat, @iluminafrica, @goteofunding, @cruzrojaesp, @aspaceandalucia
	<b>B.5 Civic associations</b> (tw_e_civicasoc)	Accounts of diverse civic associations, platforms and citizens initiatives. It includes the accounts of people who actively collaborate with them, which is detected either in their Twitter profile or through a search on the internet.	@adicae, @pah_sevilla, @josportal, @irphstop_gpzkoa, @ahorapodemos
	<b>B.6 Unions</b> (tw_e_unions)	Twitter accounts of diverse trade unions. It includes the accounts of their managers and employees, their affiliation is detected either in their Twitter profile or through a search on the internet.	@ccoo, @comfia, @fesugt, @madridsindical, @csicancgbanco
	<b>B.7 Individual Twitter users</b> (tw_e_indivusers)	This category collects those Twitter accounts listed among the most active in relation to a particular banking institution and that cannot be classified in the other categories.	@mariadelamiel, @7vueltas, @elasombrario, @josecdiez
<b>C. Advertising</b>	<b>C.1 Advertising</b> (tw_advertising)	Twitter accounts aimed at the generation of purely promotional or advertising content, which sometimes could be even classified as spam.	@dondatos, @ahorrargratis, @infohelpmycash, @foroliterario, @vidaysaludesp

## Appendix 2.2 – Examples of tweets

### 1) Keywords and hashtags:

Core CSR	Stakeholders		Criteria (name of the variable)	Examples of tweets <sup>2</sup>
	A. Clients	A.a Individuals	A.a.1 Commercial practices (tw_c_i_commpact)	@hugopardo: “Abusive practices charging fees by @LaCaixaResponde. Customers abuse. My personal case #parlem #Caixabank #LaCaixa (link)” @elfaradio: “@PAH_Santander occupies a branch of #Liberbank in Cazona looking for solutions for six evicted families (link)”
			A.a.1.1 Savings management (tw_c_i_savings)	@qmunity: “People Affected by the purchase of preferred shares of Liberbank reported tricks to delay trials (link)” @hugopardo: “Abusive practices charging fees by @LaCaixaResponde. Customers abuse. My personal case #parlem #Caixabank #LaCaixa (link)”
			A.a.1.2 Credit management (tw_c_i_credit)	@RubenSanchezTW: “If you do not allow me to fool my customers, I make my employees redundant. That’s the behaviour of Cajasur (Kutxabank) faced with the prohibition of floor clauses in mortgages” @PahKutxa Will you help us #RT? @AdaColau Tomorrow press conference at 12.00 in BoS to explain the lawsuit against Kutxabank for #IRPH #StopForeclosures @elfaradio: “@PAH_Santander occupies a branch of #Liberbank in Cazona looking for solutions for six evicted families (link)”

<sup>2</sup> Translated from the original tweets in Spanish.

	<b>A.b Business</b>	<b>A.b.1 Credit</b> (tw_c_b_credit)	@fernandoguti: "Caixabank granted 6 million euros in ICO financing facilities to SMEs and self-employed people in Cantabria (link)" @EmpreSEA: "Alava SMEs will have 150 million euros in credit facilities from Kutxabank. Via @elcorreo_alava (link)"
<b>B. Employees</b>		<b>B.1 Employment</b> (tw_e_employment)	@jromanvalera: "What is the "social soul" of 'La Caixa'? Redundancy or transfers of over 1000 kilometers @ccoolacaixa #RedundaciesCaixaBank #EREenLaCaixa" @liberbankconfli: "Liberbank intends to close the last redundancy dismissal procedure in the middle of Christmas season (link)" @Gildelabarca: "Bankia-Prisa: The savings of Bankia in personnel expenses, laying 4500 employees off, does not cover the costs of making bad-debt provisioning for Prisa"
		<b>B.2 Equality and diversity in the workplace</b> (tw_e_equality&div)	(There are no tweets in our database included in this criterion)
		<b>B.3 Working conditions</b> (tw_e_workingcond)	@pahvallekas: "We are #allwithAngel and go again to Getafe to occupy the branch of @kutxabank who doesn't want to listen to him" @comfia: "New problems for Liberbank: employees vacation will go to court (link) #ERE" @llunavermella: "Destroyed a branch of BBVA in Gamonal (Burgos). People know that capitalist system is responsible of the social injustices"
<b>C. Society</b>		<b>C.1 Socially Responsible Investing</b> (tw_s_sri)	@cantabriapresos: "In the arms industry, CaixaBank, Bankia, BMN, Liberbank, Banco Sabadell, BBVA and Banco Santander predominate in terms of investment" @SergioLopezEsp: "The #yosoyempleo advertising campaign of #BBVA has been financed with the earnings of investing in arms businesses or saddling customers with preferred shares?"

		<b>C.2 Financial inclusion</b> (tw_s_financialincl)	@TerraChile: "BBVA increased by 17% its stake in microcredits in 2013" @elportaluco: "Liberbank joins the ICAF-Microcredits line of the Government of Cantabria, supplied with 12 million euros (link)"
		<b>C.3 Normative breaches</b> (tw_s_normbreach)	@SpainRevolt: "Spain's national High Court admits the lawsuit of 15M and charges Rodrigo Rato and Bankia (link) #15M" @cercle_obert: "Tax experts and lawyers believe that Caja Madrid emails may entail several economic crimes (links)" @elmundoes: "Liberbank directors who collected wages and unemployment benefits at the same time will donate the benefits to Liberbank's Welfare Projects. That money is not theirs"
	<b>D. Corporate Governance</b>	<b>D.1 Transparency</b> (tw_cg_transparency)	@2aOpJur: "What is happening with Deloitte and the audit of Bankia? We demand more transparency. Accounting Blog (link)" @bocabyte1: "@Cajamar capital that is not guaranteed by the deposit guarantee fund, make this information public +info transparency"
		<b>D.2 Board of directors and managers compensation</b> (tw_cg_managcomp)	@CorrupcionZero: "The Directors of Caja Segovia who were distributed more than 35 million euros (link)" @Yometiroalmonite: "Liberbank: managers who early retired with 1.28 million euros pensions are back to the firm as directors (link) @lasexta"
	<b>E. Shareholders</b>	<b>E.1 Value creation</b> (tw_sh_valuecreat)	@elconfidencial: "#breakingnews: Banco Sabadell triples its profit and earns about 248 million in 2013 (link)" @bolsamania: "Dividend calendar of Banco Santander for next week. On Wednesday, shares will trade ex-dividend (link)" @ExpansionBolsa: "Bankinter opens tomorrow the earnings season with a rise of 70% in its profit... (link)"

Supplementary CSR	F. Non-financial activities	F.1 Social action projects (tw_social)	<p>@burgostv: “Caja de Burgos Foundation donates € 60,000 to Caritas to help families with urgent needs (link)”</p> <p>@FundacionBeQual: “Banco Popular finances three projects for the labor integration of people with disabilities @CompromisoRSE (link)”</p> <p>@VictorCRCLM: “RT @cajaruralCLM: The @CajaRuralCLM Foundation reinforces its support to people with spinal cord injuries (link)”</p>
		F.2 Cultural projects (tw_cultural)	<p>@PA_Ronda: “News – Ronda Tourism: Exhibition of Unicaja ’s Welfare Projects at the Convent of Santo Domingo (link)”</p> <p>@OSPACom: “We are starting the Social Concert of VentArt in the Toreno Theatre of Cangas del Narcea @Cajastur! (link)”</p> <p>@AytoMedina: “This Saturday at 20.00h, in the Interclub of Caja Burgos, the Trusilurri Theatre play (link)”</p>
		F.3 Environmental projects (tw_environmental)	<p>@ibercaja: “E. Martin, director of SARGA, thanked Ibercajafor the support provided to the centers for nature interpretation during 18 years”</p> <p>@burgostv: “The Environmental Education Classrooms of Caja de Burgos host an exhibition on environmental volunteering (link), Burgos”</p>

## 2) Twitter users:

Twitter users	Criteria (name of the variable)	Examples of tweets
<b>A. Internal</b>	<b>A.1 Corporate</b> (tw_i_corporate)	@BancoSabadell: "Banco Sabadell launches a charitable initiative with @FundacionMagone. It's explained here: (link)" @ibercaja: "E. Martin, director of SARGA, thanked Ibercaja for the support provided to the centers for nature interpretation during 18 years"
	<b>A.2 Managers</b> (tw_i_managers)	@VictorCRCLM: "RT @cajaruralCLM: The @CajaRuralCLM Foundation reinforces its support to people with spinal cord injuries (link)" @Jabernacer: "RT @cajaruralCLM: The @CajaRuralCLM Foundation and the University of Castilla-La Mancha awarded the prizes of the 'ENFOCA CLM' Contest (link)"
	<b>A.3 Employees</b> (tw_i_employees)	@estherheredia: "The voting to distribute 30,000 euros of 'Solidary Visa' begins. Vote for your favourite project! (link)" @mariaraurell: "RT @OikocreditCat: The new websites of Oikocredit Catalonia and Oikocredit Spain are now online. Visit them at: (link)"
<b>B. External</b>	<b>B.1 Public administrations</b> (tw_e_publicadm)	@PA_Ronda: "News – Ronda Tourism: Exhibition of Unicaja's Welfare Projects at the Convent of Santo Domingo (link)" @AytoMedina: "This Saturday at 20.00h, in the Interclub of Caja Burgos, the Trusilurri Theatre play (link)"
	<b>B.2 Companies</b> (tw_e_companies)	@EmpreSEA: "Alava SMEs will have 150 million euros in credit facilities from Kutxabank. Via @elcorreo_alava (link)" @iEuskadi: "@Spotbros and CajaLaboral's Blog (link), awarded #Buber2013 prizes (link), via @calderonmao @anagam_ES"



	<b>B.3 Mass media</b> (tw_e_massmedia)	@ExpansionBolsa: "Bankinter opens tomorrow the earnings season with a rise of 70% in its profit... (link)" @elmundoes: "Liberbank directors who collected wages and unemployment benefits at the same time will donate the benefits to Liberbank's Welfare Projects. That money is not theirs"
	<b>B.4 NGOs</b> (tw_e_ngos)	@FundacionBeQual: "Banco Popular finances three projects for the labor integration of people with disabilities @CompromisoRSE (link)" @ASPACEAndalucia: "Today, at 21 h. Caja Rural Granada Auditorium. @aspacegranada presents the #aspacecalendar2014. Are you going to miss it?"
	<b>B.5 Civic associations</b> (tw_e_civicasoc)	@PahKutxa: "Will you help us #RT? @AdaColau Tomorrow press conference at 12.00 in BoS to explain the lawsuit against Kutxabank for #IRPH #StopForeclosures" @pahvallekas: "We are #allwithAngel and go again to Getafe to occupy the branch of @kutxabank who doesn't want to listen to him"
	<b>B.6 Unions</b> (tw_e_unions)	@comfia: "New problems for Liberbank: employees vacation will go to court (link) #ERE" @ugtcaixabank: "Extended working hours in Villacis. Thanks to the complaint of UGT, the labor inspector investigates CaixaBank... (link)"
	<b>B.7 Individual Twitter users</b> (tw_e_indivusers)	@qmunity: "People Affected by the purchase of preferred shares of Liberbank reported tricks to delay trials (link)" @jromanvalera: "What is the 'social soul' of 'La Caixa'? Redundancy or transfers of over 1000 kilometers @ccoolacaixa #RedundaciesCaixaBank #EREenLaCaixa"
<b>C. Advertising</b>	<b>C.1 Advertising</b> (tw_advertising)	@InfoHelpMyCash: "Openbank raffles 100 Wonderbox Adventure boxes among its university clients (link)" @Foroliterario: "ING Direct // Current account without commissions. Discounts in Galp and Shell fuel, free Visa and 4B debit cards: (link)" @Vidaysaludes: "Openbank // Current account +Deposit 2% and up to 1% in savings account. OK plan discounts up to 4%...(link)"